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ENTERPRISES TO IMPROVE QUALITY WITH VETO POWER

OWO61613 Beijing XINHUA Domestic Service in Chinese 1513 GMT 6 Jun 87

[By reporters Xu Yaozhong and Li Zhenghua]

[Excerpts] Fuzhou, 5 June (XINHUA)--A system of exercising "quality veto power" [zhi liang fou jue quan 6347 6852 0694 0414 2938] will be instituted in all industrial enterprises in the country. This was proposed by the State Economic Commission at the National Forum on Total Quality Control in an effort to intensify quality control. The meeting concluded today.

Under the system, which is an important economic policy, product quality will be tied with workers' political honor and material benefits so that quality control will play a decisive role in workers' wages and bonuses. After the implementation of the policy, the higher leading departments will have the power to penalize enterprises or workers if the quality of their products is substandard by withholding all or part of their bonuses and floating wages, 3 percent of their promotion authority [phrase as received], after-tax profits, preferential prices for quality goods, and the supply of low-price energy and raw and semifinished materials. The higher leading departments can even advise the relevant departments to revoke these enterprises' production permits and operating licenses, or replace the plant directors. On the part of enterprises, they will have the power to withhold all or part of the bonuses and floating wages of the workers in question, as well as eligibility for becoming advanced workers.

The system of exercising "quality veto power" was formally proposed last July by the State Council in its "Decision on Issues of Tightening Industrial Enterprises' Quality Control."

Speaking at the forum, Sheng Shuren, vice minister of the State Economic Commission, said: The "quality veto power" is essential for tightening quality control and improving product quality. This is an important issue having a close bearing on whether or not the principle of "quality first" can really be implemented, and whether or not workers can have a greater awareness of quality. All localities should take economic, technical, administrative, and legal measures to ensure full exercise of the "quality veto power," and support these measures with ideological and political work.

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CSO: 4006/746

GUANGMING RIBAO ON SOCIALISM, TECHNOLOGY REVOLUTION

HK081423 Beijing GUANGMING RIBAO in Chinese 25 May 87 p 3

[Article by Li Ke (2621 0344): "New Technological Revolution Has Not Changed the Direction of Social Progress"]

[Text] The emergence and development of the postwar new technological revolution has not changed the characteristics of this historical period. The orientation of the advance of human history is still the substitution of socialism for capitalism. This can be seen from two aspects. On the one hand, the new technological revolution with information technology as the main sign has greatly enhanced the productivity level and the degree of production socialization in capitalist society. However, the nature of the exploiting system in which capitalists occupy surplus labor without compensation and the working class, including mental workers, remain in the position of being exploited and oppressed has not changed, so the working class and other working people still have the revolutionary will and demand for changing the existing order. The new technological revolution also provides a better material foundation for the working class to carry out the socialist revolution. This will prompt the wage workers, including intellectuals, to organize to carry out social revolution for changing the rule of the bourgeoisie. On the other hand, the new technological revolution with information technology as the main sign has greatly developed capitalist production and has substantially increased and accumulated social wealth in the developed capitalist nations, but this has not solved the basic contradiction inherent in capitalist society. The periodic phenomena in the development of the capitalist economy still exist, and this is reflected in the frequent appearance of economic recessions, the continuing increase in the number of jobless people, and incurable inflation. Therefore, the general law and historical tendency of the capitalist accumulation have not changed, and they will continue to function as a matter of necessity. We can thus draw this conclusion: The emergence and development of the new technological revolution since World War II will not be able to bring capitalism into a "wonderful new period," nor can it make capitalism and socialism "reach the same goal by different routes" and bring about a so-called "post-industrial society." Instead, history can still see the replacement of socialism for capitalism.

Historical materialism holds that the productive forces form the foundation for social existence and development and the decisive force for promoting social progress and change, and the development and change of the productive forces are

objectively marked by the changes of production tools. When complete and general changes occur in production tools, an all-round qualitative change in productive forces will be gradually brought about, and the socioeconomic system will also change correspondingly sooner or later, thus promoting social progress. The main part of the postwar new technological revolution is the extensive application of information technology, and this is mainly reflected in the use of various types of robots, especially intelligence robots. In fact, robots are also kinds of production tools. Computers are the core of robots, which imitate some functions of human beings, especially the functions of the human brain. The structure of robots is much more complicated than ordinary machines, and there are qualitative changes in the structure and functions of such special machines. When they are used in the production process, man's operation and control of machines will be automatic and intelligent. If robots are generally adopted in the main activities of production processes, then human beings will be directly emancipated from the direct production activities, and the material foundation will be laid for the era in which man acts as supervisor and coordinator in the production processes as Marx predicted. Therefore, the extensive use of robots as a tool in social production and social life will create conditions for the all-round and free development of individuals. This is not an objective sign of the capitalist-style productive forces; instead, it should be an objective sign of the productive forces in the communist era.

Admittedly, the new production tools represented by robots have been adopted in modern Western society, especially in the developed capitalist countries. This has not only greatly raised social productive forces, but will also bring about some all-round qualitative change in the productive forces. However, this tendency in the development and change of the productive forces is on the one hand limited by the capitalist relations of production. That is to say, the narrow capitalist style of occupying social wealth has seriously hindered the degree of the all-round qualitative change in the development of the productive forces. On the other hand, within the limits of the capitalist system, the bourgeoisie is forced by the objective tendency in the development of the productive forces to adopt some measures to readjust some aspects of the relations of production, and may even change some forms of the possession of the means of production. This will partly suit the development and change the productive forces brought about by the new technological revolution, and will thus make for some degree of development in capitalist production in a certain period. This shows that the productive forces, as one of the two major aspects of the social production mode, will not only be limited or promoted by the relations of production, but more importantly, they have an objective tendency to develop and expand themselves without being affected by any specific economic relations. The development of modern new technologies and their extensive application in the production processes have brought about a high degree of development of the productive forces, and will bring about an all-round qualitative change in the productive forces in the orientation of automation and artificial intelligence. Therefore, no matter how the bourgeoisie partly adjusts the relations of production, it will not be possible for them to suit the development of the productive forces in all aspects. Obviously, the in-depth development of the new technological revolution will inevitably break through the whole material foundation of the capitalist relations of production. Of course, this "all-round breakthrough" will be fulfilled in a number of stages. Once the fundamental qualitative change occurs in entire social productive forces, the capitalist system will reach its limit, and will eventually be replaced by the elementary and advanced forms of the communist production mode.

At present, the new technological revolution is still in the ascendant. In 100 to 200 years' time or even longer as Marx predicted, the capitalist relations of production throughout the world will never be able to contain the productive forces which have had the fundamental qualitative change. The automation and artificial intelligence in the production processes will eventually require the possession of the means of production by the entire society and require the replacement of capitalism with socialism and communism. Only thus can the social productive forces be thoroughly emancipated and be more greatly developed.

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CSO: 4006/746

ENTERPRISE STRUCTURAL REFORMS EXPLORED

HK060922 Beijing ZHONGGUO JINGJI TIZHI GAIGE in Chinese No 4, 23 Apr pp 4-7

[Article by He Guanghui (6320 0342 6540): "Actively Explore the Reforms of Enterprises' Internal Mechanisms"--passages within slantlines as published in boldface]

[Text] An enterprise is both the basic unit of production and operations and the foundation and cell of the economic structure. The soundness of enterprise reform has a bearing on the success or failure of the reform of the economic structure as a whole. In the last few years, in the urban economic structural reform centering on the key link of enterprise invigoration, various useful explorations have been conducted with very great successes. However, generally speaking, the expansion of decisionmaking powers of enterprises in various fields of endeavor has not been completely implemented so far. The problem of invigorating enterprises, in particular, large and medium-size state-owned enterprises, has not yet been solved satisfactorily. Enterprises are still in no position to really assume full responsibility for their profits and losses and have not had a set of effective and standardized self-regulatory mechanisms. There are two main reasons for this state of affairs. One is that enterprise reform is handicapped by some external conditions, such as excessive administrative interference, heavy burdens on enterprises, seriously prices, irrational and income distribution fails to correctly reflect the results of operation and work. [sentence as received] The other is that enterprises have not yet established perfect internal mechanisms and formed rational enterprise behavior through intensifying the decisionmaking, operating, dynamic, and self-regulatory mechanisms. Of course, the transformation of the enterprises' internal mechanisms and the improvement in external conditions and the environment will necessitate a course of gradual development and perfection and cannot be accomplished in a matter of several years. If the two are to be linked and promote each other and to forge ahead as they are gradually coordinated and constantly intensified, they will probably run through the whole process of reform.

In terms of the current overall situation of the national economy, since the effort to bring about a strategic change from concentrating on quantity to taking the raising of efficiency as the center has just been started, the huge potentials of enterprises have not yet been fully tapped. This is a favorable aspect. On the other hand, since enterprise reform is handicapped by various conditions, some major reform measures need overall consideration and certain

conditions for their coordinated implementation. As such, there is limited room for invigorating enterprises by continuing to rely on tax cuts, compromised profits, and subsidies by the state. Moreover, many enterprises are confronted with difficulties, such as rising prices of raw and semifinished materials, energy shortages, strained circulating funds, and the overstocking of finished products. In this situation, deepening enterprise reform and further invigorating enterprises by centering on the requirements of increasing production, economizing, raising revenues and reducing expenditures has become the key task for us to carry out the reform this year. To deepen enterprise reform, aside from really implementing the existing power-expansion measures, it is imperative for us to shift the focal points to the reform of the internal managerial mechanisms of enterprises to raise the operating and managerial level of enterprises, to tap their potentials, and to improve their efficiency. This is not only in line with the requirements of the transformation of patterns, from the old to the new, but also consonant with the operating and managerial level of most enterprises and the maturity of the market in our country. We should have a unified understanding on this matter and enhance our awareness of the reform.

Having summarized the experiences in enterprise reform in recent years, the State Council's "several regulations on deepening enterprise reform and invigorating enterprises" clearly stated that it is necessary to introduce different forms of the contract responsibility system in business operations and to give managers full decisionmaking powers in operations. This not only points the way for us to explore the specific forms of separating ownership from management power but also enables us to gain a better understanding of the basic ideas in deepened enterprise reform. In other words, greater attention should be devoted to exploring of the specific forms of the separation of ownership from management powers and enterprises' internal managerial mechanisms should be perfected through the implementation of different forms of the managerial responsibility system so that enterprises can be really invigorated.

In introducing different forms of the managerial responsibility system it is necessary to carry out a comprehensive reform of the leadership, distribution, management, and labor systems of enterprises and to initiate and perfect various scientific rules and regulations on enterprise management, centering closely on the key link of correctly handling the relationship between the state and the enterprises and between the enterprises and their employees and ensuring that enterprises really have their own decisionmaking powers in operations. For this purpose close attention should be paid to solving the following problems.

/First, choose rational methods of operations and use the form of signing contracts to lay down unequivocally the relationship of responsibility, authority, and benefits and of distribution between the owners and the managers and to give simultaneous consideration to the interests of the state, the enterprises, the managers, and the employees./

As stated above, the purpose of carrying out different forms of the managerial responsibility system is to explore the way of separating ownership from management power, to clarify the authority and duties of the managers and to enhance enterprises' capability to conduct accumulation independently and transform and

develop themselves while the annually increased state revenues are ensured so that enterprises will really become socialist commodity producers and handlers having full authority over management and full responsibility for their profits and losses.

Therefore, first of all, efforts should be made to proceed from actual conditions to choose appropriate methods of operations in conjunction with the characteristics of enterprises of different types. At present a greater number of small enterprises have adopted the forms of leasing and contracts with fairly good results. This year we will make active efforts to try these methods experimentally in small industrial enterprises and in some medium-size enterprises, in particular, enterprises operating with a marginal profit or operating in the red as well. The "system under which the factory director is held responsible for the attainment of certain objectives during his term of office," the "assets management responsibility system," and the "collective contracting" method can be tried experimentally in a small number of large and medium-size enterprises in light of actual conditions. Some of them may use the method of contracting responsibility for input and output or after-tax profits. As long as the predominant role of public ownership remains unchanged and the interests of the state are not infringed upon, specific large and medium-size enterprises are allowed with approval to practice the shareholding system on a trial basis. Enterprises which have used other contracting methods in business operations are encouraged to continuously summarize their experiences in practice and to improve and perfect the methods of their operations and management to gradually standardize and institutionalize them.

Next, a good job should be done in contract-signing work. On the one hand, specific propositions should be worked out on the basis of investigations, studies and sound calculations. As far as enterprises' assets assessments, contracted profits on a base-period basis, profit growth, and loan payments are concerned, full consideration should be given to their current potentials, market developments, and price variations. It is necessary to take into account both past experience and the situation that may possibly arise in the future, and both enterprises' present production and staying power, to make contract conditions as rational and scientific as possible, and to closely combine the interests of the managers with the risks they should take, if any. On the other hand, efforts should be made to choose the right managers, to separate ownership from management power, to really let entrepreneurs operate enterprises with full responsibility, autonomy, and benefits, and to combine the three. What is important here is how to select managers who have both ability and political integrity and are proficient in professional work and able to do solid work. The departments in charge of enterprises, enterprise staff members and workers congresses, and related experts and scholars can form assessment committees to make comprehensive assessments of the educational level, professional competence, work experience, and political consciousness of the would-be managers and then sign contracts with them by following notarization procedures so that the contracts have a legal guarantee. Our experience has proved that contractors can be either individuals, collectives or other enterprises. Individual contracting is suitable for small enterprises. To most large and medium-size enterprises a leadership group composed of a director (manager), chief engineer, chief economist, and chief accountant is indispensable.

It has the status of a legal person as a collective of contractors. A small number of enterprises may also be contracted to well-managed enterprises.

/Second, reform the enterprises' internal distribution system and establish and perfect enterprises' dynamic mechanisms./

The signing of leasing contracts means clearly defining and stabilizing the relationship of distribution between the state and enterprises and also means creating conditions for the reform of enterprises' internal distribution systems. Hence, it is possible to establish and perfect effective dynamic enterprise mechanisms. If enterprises do not exceed the framework of state-fixed total wages and the growth coefficient linked to certain economic results and pay bonus taxes in accordance with state regulations, they should be allowed, in light of their actual conditions, to choose and practice different forms of wage encouragement and different methods of distribution to achieve a better combination of responsibility, authority, and benefits. The higher competent departments should offer them active support and guidance rather than arbitrarily interfere in their operations by administrative means. In reforming the distribution system in enterprises we should really follow the principle of distribution according to work and of more pay for more work, combine the accomplishment of the operating objectives of enterprises with their contracts, and link the income of employees to their job performance. According to different trades and in light of their specific conditions, enterprises may adopt flexible and multiple forms of distribution of wages and bonuses. For example, some may let a portion of their wages and bonuses float; others may give prominence to those working in key posts and key production links with regard to the distribution of bonuses; and still others may use various contracting methods centering on the focal points of production and operations, such as purchasing, marketing, consumption reduction, the earning of foreign exchange through exports, technological transformation, and the development of new products. In short, we should bring the distributive and stimulative functions of enterprises' wages and bonuses into full play and use them more effectively so that the enthusiasm and creativity of the vast numbers of employees can be fully mobilized. What is more important is that through the reform of enterprises' distribution systems, explorations should be made in establishing effective dynamic mechanisms in socialist enterprises, which include material encouragement in terms of wages, bonuses, and material benefits and spiritual encouragement. The two should be effectively combined. Apart from the forms of meritorious service citations and commendations, more importantly, spiritual encouragement should include the establishment and improvement of the democratic management system in enterprises. Efforts should be made, through doing a good job in ideological and political work among the employees in the new period, to carry forward the fine traditions of our country's working class, to respect the status of employees as the master of the country, to bring the collective spirit of unity and cooperation into play, to encourage the broad masses to participate in enterprise management, and to foster sound professional ethics so that employees of specific enterprises will have a common pioneering conviction for their enterprises, their own work styles and codes of conduct. We should also continuously broaden employees' mental outlooks and encourage them to aim high and do what they can in their work. The practice of concentrating on distributing more bonuses and allowances in kind that leads employees to "working for money alone" is undesirable because it will lead the vast numbers of employees astray.

/Third, implement the factory director (manager) responsibility system and improve the quality of enterprise managers./

With the introduction of different forms of operations, such as the leasing system, the managerial responsibility system, and the system under which the director is held responsible for the attainment of certain objectives during his term of office, the authority and duties of enterprise managers are codified by law it is clearly stated that the director (manager) is the legal person for and assumes full responsibility for his enterprise, thus giving prominence to the key position and role of the director (manager). This provides an organizational guarantee for the implementation of the factory director (manager) responsibility system and the strengthening of enterprises' decision-making mechanisms. In implementing the factory director (manager) responsibility system it is necessary to straighten out the enterprises' internal relationships between the party organization, the factory director (manager), staff members and workers congresses, in order to bring into play the organizational and supervisory role of the party and the role of the trade union in safeguarding the legitimate rights and interests of the employees, and to gradually perfect the enterprise leadership system in accordance with the spirit of the three regulations of the party Central Committee and the State Council concerning industrial enterprises under the system of ownership by the whole people. The practice of reform over the last few years has proved that the implementation of the system under which the director is held responsible for the attainment of certain objectives during his term of office and under which the performance of the enterprise is subject to supervision through auditing at the expiration of the director's term is a further supplement of the factory director (manager) responsibility system. The system deserves recommendation and popularization. Of course, in implementing the system we should divide the director's objectives into different levels, long-term and annual, and work out measures to accomplish and assess them and define methods of rewards and penalties so that the director's objectives can be closely combined with his responsibility, authority, and benefits. At the same time, the economic objective, performance of operations during the tenure of the factory director (manager), and his economic responsibility should be subject to supervision through auditing and notarization to accelerate the attainment of the factory director's (manager's) objectives during his tenure. This will help the factory director (manager) to willingly combine the interests of the state with those of the enterprise, the employees, and the manager, the current performance of the enterprise's production and operations with its long-term development objectives, overcome short-term enterprise behavior and thus help establish self-regulatory enterprise behavior mechanisms.

/Fourth, strengthen ideological and political work and fully arouse the enthusiasm of the masses of employees for production and operation./

In implementing various forms of the managerial responsibility system stress is put on the factory director responsibility system. However, this does not mean that ideological and political work in enterprises and the importance of democratic management by employees can be neglected. Party organizations, directors (managers), and trade union organizations of enterprises should carry forward the fine traditions of the party's ideological and political work among the employees through the activities of production and operations. They should regularly propagate the four basic principles and the party's principles and

and policies, carry out education in patriotism, collectivism, socialist and communist ideas and in lofty ideals, discipline, democracy, legality, and in the working class' revolutionary traditions among the vast numbers of employees, and do a good job in technical training for employees. It is also necessary to build a contingent of staff members and workers who have lofty ideals, moral integrity, education, and a sense of discipline, to combine ideological and political work with the concern of the well-being of the masses and the solution to practical problems, and to try every possible means to help the employees surmount difficulties in their work and daily life. If difficulties can not be overcome at that time, clear explanations should be given to employees. Further efforts should also be made to establish and perfect the system of staff members and workers congresses and other rules and regulations of democratic management and to support and guide the representatives of staff members and workers in correctly exercising their rights and performing their duties. Activities of making rationalization proposals should be launched widely among the employees whom should be given support and encouragement in their efforts to carry out technical innovation in production.

/Fifth, continue to develop various forms of lateral economic associations and enhance enterprises' capacity to conduct business activities with outside units./

To deepen enterprise reform, apart from relying mainly on improved internal managerial mechanisms of enterprises, we should continuously enhance enterprises' capability of conduct business activities with outside units or their capability to develop lateral economic associations and to form enterprise groups. This is an important measure in improving and invigorating enterprises and also the main way to give play to their capability to conduct business activity with outside units. In the past year, major breakthroughs were made in developing lateral economic associations and forming enterprise groups and tremendous economic results were also achieved. The development of lateral economic associations and the formation of enterprise groups have played a positive role in changing our country's irrational production structure, product mix, and enterprise organizational structure, developing the advantages of separate individual units into those of collective units as a cluster, achieving a rational combination of major production factors, and in fully utilizing the existing productive forces. In deepening enterprise reform and carrying out different forms of the managerial responsibility system, attention should also be paid to bringing the strong points of economic associations, forming new enterprise groups in line with the principle of coordination among specialized departments, and to improving the efficiency of economies of scale so that new productive forces can be formed.

In accordance with our current experience at hand, in developing lateral economic associations and enterprise groups, we should pay attention to the following six points: 1) We should give top priority to the enterprises which play a guiding role and have leading bodies capable of breaking new ground in their work; 2) We should place in the lead enterprises capable of developing in large quantities products holding sway on the market and promote coordination among specialized departments; 3) We should have a sound internal management system and form close communities of interests; 4) We should keep the improvement of enterprise

quality in the forefront of our thoughts and strengthen the enterprises' ground work; 5) We should define clear objectives of competition and of development strategy; and 6) We should form multi-content and multi-layer inter-unit integrated operations of various forms. In forming enterprise groups, the competent government departments should uphold the principle of "guidance but not mediation, support but not intervention, and help but not monopoly" and actively solve the practical problems that the government ought to solve. Of course, by saying this we do not mean that all enterprises should form economic associations regardless of the conditions and objectives of association. Generally speaking, most enterprises are still relatively independent commodity producers and handlers. Large-sized associations, in particular, form a small number of enterprise groups. Therefore, economic associations should be based on the principle of voluntary participation and mutual benefit and common development and should help develop the productive forces and accelerate scientific and technological progress.

Involving various aspects of the economic structural reform, enterprise reform is a comprehensive job which needs supporting measures to accomplish. Every further step in enterprise reform will involve the reform of the planning, investment, taxation, and price structure, the function of government organs to manage the economy, and of the labor and wage systems. Therefore, we should fully appraise the long duration and complexity of the reform and lose no time in grasping enterprise reform which serves as a central link while giving consideration to the whole process of the economic structural reform to promote the general process of the macroeconomic structural reform. The current enterprise reform, centering on the implementation of different forms of the managerial responsibility system and improvement of enterprises' internal mechanism will not only help to form a benign cycle in enterprises' behavior mechanisms but will also give a great impetus to the reform of the macroeconomic structural reform and it will also provide a sound foundation for deepening our country's economic structural reform.

/12232

CSO: 4006/746

LIAOWANG ON DEEPENING ENTERPRISE REFORM

HK081434 Beijing LIAOWANG in Chinese No 21, 25 May 87 p 1

[Article by Fang Hua (2455 5478): "Invite the Character 'Contract' Into Large and Medium Enterprises--An Important Step in Deepening Enterprise Reform"]

[Text] How should large and medium enterprises deepen the reform? After several years of exploration and practice, the answer has now gradually become clear: To invite the character "contract," which has demonstrated its power in reforms in the rural areas and other fields, into large and medium enterprises and to institute various contracted management responsibility systems.

Large and medium enterprises are the mainstay of China's national economy. The fixed assets value of China's more than 8,200 large and medium enterprises accounts for 70 percent of the total fixed assets value of all industrial enterprises in the country that conduct business accounting independently; and the output value and tax-profit contributions achieved by them account for over 40 percent of the country's total industrial output value and financial revenue respectively. As large and medium enterprises play an extremely important role in China's national economy and social development, so their reform, production, and management produce a great impact on the overall situation of China's socialist construction.

Over the past few years, we have conducted reform in large and medium enterprises focusing on giving more powers to them and on substituting taxes for the delivery of profit. This has changed the situation in which the state exercised unified control over enterprises' income and expenses, relatively stabilized the relationship of distribution between enterprises and the state, and changed the state's direct management of enterprises into direct management, thus playing an active role in invigorating the enterprises. However, these reforms are only initial and have not basically solved the problem of relationship between the state, enterprises, and workers in responsibility, power, and interests. Therefore, the operators of the enterprises still lack relatively independent management power and necessary conditions, the operational mechanism inside the enterprises is far from perfect and flexible, the defect of enterprises "eating from the big pot" of the state and workers "eating from the big pot" of the enterprises is still striking, and the enthusiasm of the operators and producers of the enterprises cannot be fully aroused. As a result, large and medium enterprises are less invigorated than small enterprises.

The practice of many years tells us that to solve various problems concerning the mechanism inside the enterprises and to truly invigorate large and medium enterprises, the only way is to institute various contracted responsibility systems. The contracted management responsibility system is a new think created by Chinese peasants in the rural economic reform and has been widely instituted in urban collective enterprises and small state-run enterprises. The contract system is really effective in the rural and urban areas alike and has fully demonstrated its great vitality in overcoming defects of the old system and liberating the productive forces. The contracted management responsibility system as a management pattern has many advantages: It reflects the spirit of the principle of separating the enterprises' ownership from their power in operation and management, namely, adhering to the orientation of socialist ownership by the whole people on the one hand, and turning enterprises into relatively independent economic entities with self-development ability and turning producers and operators into the enterprises' true masters. It correctly handles the relationships of responsibility, power, and interests between the state, enterprises, and workers, so that the state, enterprises, and workers all assume economic responsibility for the production and management of the enterprises and can exercise their economic power and enjoy economic interests, thus arousing the enthusiasm of all parts for properly running enterprises. Practice has proved that the contracted management responsibility system is a management form suited to China's national conditions and corresponding with the demand of reform. Therefore, it is not only very necessary, but also absolutely feasible for large and medium enterprises to institute the contracted management responsibility system.

Of course, in instituting the contracted management responsibility system, large and medium enterprises may encounter problems of one kind or another and meet with new contradictions. However, reform should not be carried out after everything has become perfect, and must advance continuously in exploration and be gradually perfected in practice.

In instituting the contracted management responsibility system, large and medium enterprises must adhere to the basic principle of "contracting for fixed base figures, ensuring the payment of taxes submitted to the state, retaining more in excess of profit targets, and making up deficiencies oneself." This is a practical principle formulated after summing up various experiences of various contracted management responsibility systems and giving full consideration to the characteristics of large and medium enterprises. It reflects the spirit of placing the state interest above all and encouraging the advanced and urging the backward. Correctly implementing this spirit will greatly arouse the spirit of the producers and operators of enterprises for being their own masters and provide the best arena for giving play to their wisdom and ability. Of course, we must stress the principle of seeking truth from facts and doing everything according to local conditions. Although large and medium enterprises have common characteristics, the situation varies from one to another. They must skillfully find out a contract form suited to their characteristics according to their own practical situation. In instituting the contracted management responsibility system, we must avoid seeking rigid uniformity and rushing headlong into mass action. By carrying out pilot projects and summing up experiences, we must institute the contracted management responsibility system in a planned way and step by step.

Large and medium enterprises instituting the contract system is an important step in deepening China's economic structural reform. It not only has an important significance in invigorating large and medium enterprises, but will also vigorously promote the ongoing "double increase and double economy" movement. We must actively and steadily carry out this work. Here, it must particularly be stressed that in instituting the contracted management responsibility system, we must ensure the state's financial income and enterprises' reserve strength for future development. We must not "whip a quick ox," but must pay attention to increasing enterprises' ability of reinvestment. As to enterprises that have become rich by instituting the contracted management responsibility system, we must encourage and guide them to spend more self-retained funds on developing production and transforming technology and must teach them to avoid spending money arbitrarily in a bid to curb increase of consumption funds. We must also stress increasing economic results by improving business management and tapping the internal potentiality of enterprises, but absolutely cannot use such evil means as arbitrarily increasing prices, manufacturing goods in a rough and slipshod way, and doing shoddy work and using inferior material to increase our income. Instituting the contracted management responsibility system is a reform, and thorough and meticulous work should be done. Only by integrating the contracted management responsibility system with a complete set of internal reforms in an enterprise, is it possible to further perfect the internal operational mechanism within the enterprise. If there is only the contracted management responsibility system instituted by enterprises toward the state, but no internal reform within an enterprise and no effective measures to overcome defects in the management system and distribution, it is impossible to properly carry out the reform.

Instituting the contracted management responsibility system is an important step in deepening enterprise reform and invigorating large and medium enterprises. Successfully instituting the contracted management responsibility system will produce a far-reaching significance to invigorating enterprise reform and developing and making the economy prosper. Let us properly carry out work in all fields, do a good job in instituting the contracted management responsibility system in large and medium enterprises, and further promote the economic structural reform.

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GUANGMING RIBAO ON STEADY ECONOMIC DEVELOPMENT

HK090935 Beijing GUANGMING RIBAO in Chinese 30 May 87 p 3

[Article by Ma Yan (7456 1484) and Xu Yang (1776 2254): "A Brief Discussion on the Long-term, Steady Development of the National Economy"]

[Text] Ensuring the long-term, steady development of the national economy is valuable experience summed up from the practice of China's socialist construction and is a fundamental guiding principle that will enable China to become a powerful modernized socialist country.

I

As every is aware, the economic movement of any society has continuity and sequence. Continuity means that in the continuous course of social production, human material force to transform nature has been accumulated from generation to generation. Sequence refers to the orderly development of the social productive forces from lower to higher levels. Economic development can start only from its original basis, and in particular from its comprehensive productivity, step by step and in an orderly way. Otherwise, various types of disequilibrium will arise and the economy will undergo big upheavals.

Of course, by the steady development of the economy, we mean that such development is relative and not continuous development at equal speeds. Like the movements of objects, an economic movement proceeds "wave upon wave," sometimes slow and sometimes fast. Economic development is affected by various factors, including the conditions of resources, the scale of accumulation, the development of science and technology, and the level of management. Above all, the international environment and natural disasters also affect economic development. On the one hand, these factors promote each other; and on the other, they restrict each other. Some factors are difficult to foresee. Therefore, economic development may be fast in some years and may become slow in other years. This is a manifestation of the law governing economic development. But such fluctuations occur within a certain scope; they are not big upheavals.

It is undeniable that high economic development takes place under certain objective conditions, such as the rapid increase in labor productivity due to a technological revolution or the change in the internal and external environments of a country during a certain specific period. All this is not determined by

man's will. China, a country which has a large population and is economically and culturally backward, is still in the ranks of countries which can only resolve the basic problem of food and clothing. Under normal circumstances and calculated according to comparable prices, the annual increase in the national revenue is only 40 to 50 billion yuan; and after deduction of the 8 billion yuan required for the natural growth rate of the population, the national revenue which remains to increase accumulation and improve consumption amounts to only 30 to 40 billion yuan. According to this national strength, it should be said that our initiative in developing the economy is inadequate and there is limited room for maneuver. This situation determines that China can only develop its national economy according to the principle of steady development and achieve the target of modernization in an orderly way and by stages.

It is necessary to point out that stressing the steady development of the economy does not mean the lower the growth rate the better. If the growth rate is too low and the scale of construction is too small, economic results cannot be improved. This will affect the development of the national economy and the improvement of the people's livelihood. But our practice and experience over the last few years suggest that we have for a long time repeatedly suffered losses resulting from an excessively high growth rate rather than from a low one. Under socialist conditions, it is not difficult to make an additional demand. On the contrary, our careless mistake is generally making an excessive demand, which leads to the shortage of commodities.

II

The following three points are the main indications of steady economic development:

The first point is an appropriate economic growth rate. The economic growth rate portrays the scale, process, and level of economic development from the angle of the increase in the social product (including labor service). In the course of socialist modernization, the improvement of national strength and the people's livelihood requires a certain economic growth rate. But the economic growth rate is affected and restricted by objective economic, political, natural, and social conditions. Only by fully considering the changes of various factors in economic life and maintaining an appropriate economic growth rate, will we be able to promote the long-term, steady development of the economy.

The second point is the coordination of relationships between proportions. The relationships between proportions portray the scale, process, and level of economic development from the angle of material and price composition. The relationships between the proportions in the national economy are very complex. There are certain proportions between the primary, secondary, and tertiary industries; between agriculture, light industry, and heavy industry; between the processing industry, the energy industry, and the raw materials industry; between accumulation and consumption; between production, distribution, exchange, and consumption; between the growth of the economy and the population; and between the development of the economy and the development of science, culture, and education. Under the conditions of the planned socialist commodity economy, it is necessary to consciously apply the law of value, to correctly arrange the

relationships of various proportions, to maintain a balance between supply and demand and between revenues and expenditures, and to promote the steady development of the economy.

The third point is the improvement of economic results. Economic results portray the scale, process, and level of economic development from the angle of investment and output. Economic results are a key problem in the course of socialist modernization. In carrying out any economic activity, it is necessary to invest labor and obtain the relevant output. If the products turned out with a small investment tally with the needs of society, economic results are good; if the products turned out with a big investment do not tally with the needs of society, economic results are bad. This is an important criterion for judging whether economic development is steady. On the basis of socialist public ownership, the national economy constitutes an organic entity. To meet the constant increase in social demand, it is necessary to suit the consumption of labor and the production of products to the needs of society. Both microeconomic and macroeconomic results should be taken into account while observing economic results. Consideration should also be given to economic results in the fields of production, exchange, distribution, and consumption. Apart from all this, attention should also be paid to both immediate and long-term economic results. Only in this way, can we promote the long-term, steady development of the economy.

The other three points are related to each other and restrict each other. In economic work, these three points should be applied in a comprehensive and analytical manner so that the growth rate, proportion, and economic results fall into coordination. In other words, the economic growth rate should correspond with the proportionate development of the economy, and the best proportion should be able to ensure the attainment of the best economic results. Moreover, it is necessary to analyze factors affecting the steady development of the economy, such as changes in the market situation and prices, so as to make an accurate judgment and provide the necessary data for economic policymaking.

III

Maintaining the basic balance between total social supply and total social demand is a fundamental condition for ensuring the long-term, steady development of the national economy.

The following four points can be used to observe the balance between total social supply and total social demand: The first point is whether the growth rate of the total investment in fixed assets corresponds with the growth rate of the total investment in fixed assets corresponds with the growth rate of national revenue; the second point is whether the increase rate of the income of staff, workers, and peasants corresponds with the improvement rate of labor productivity and the growth rate of agricultural and light industrial output value; the third point is whether there is a financial deficit and whether the balance of international payments.

Viewed from the practice of economic construction in China, demand is easy to expand, and excessive expansion of demand generally leads to excessive development

of the processing industry. In such cases, the energy and raw materials industries as well as communications will remain backward and it will be difficult to rationalize the industrial structure and improve economic results. Therefore, in maintaining the basic balance between total social supply and total social demand, attention should be paid to the strains of national strength; and in making efforts to improve supply, it is necessary to control demand, including demand for investment and consumption. The state is therefore required to strike a comprehensive balance between its finances, credit, materials, and foreign exchange.

Maintaining a financial balance with a little surplus is an objective requirement and necessary condition for carrying out the planned socialist commodity economy. Following the changes in the economic development strategy and economic structure, bank credit activities are playing an increasingly important role in fund raising and accommodation. We are therefore required to coordinate the balance between finances and credit. A financial imbalance will reduce bank deposits and affect the issuance of credit funds. This will even give rise to an overdraft or an excessive bank loan, thus affecting the equilibrium of credit. The disequilibrium of credit or the excessive issuance of money will impact on financial equilibrium. Therefore, to maintain a balance between credit and finances, first, it is necessary to draw a clear distinction between financial departments and banks and to forbid the use of bank overdrafts for making up financial deficits; second, it is necessary to rationally arrange the supply of credit and money according to the needs for developing production and expanding circulation; and third, it is necessary to gradually improve the reserve fund system and to use economic levers such as discount rates and interest rates to control the scale of credit and adjust the credit structure. In the field of micromechanism, efforts should be made to encourage enterprises to assume the responsibility for repaying their loans with interest.

The equilibrium of material supply is the basis of the balance between finances and credit. The distribution of national revenue in the form of money should have a material guarantee. It is necessary to maintain a balance between the distribution in the form of money and the distribution in the form of materials and to coordinate the structure of money distribution with the structure of material distribution. It is necessary to distribute in a planned way the means of production and consumption that have important bearings on the overall development of the national economy. While making arrangements for the distribution of value, the ability to pay should be taken into account, the production and supply of materials should be regulated, and the proportion of distribution of value should be examined and adjusted. Control over ordinary materials can be relaxed within their overall balance, and their demand and supply should be regulated in a planned way through the market mechanism.

The equilibrium of foreign exchange is a supplement to the equilibrium of finances, credit, and materials in the country. In the course of opening up to the world, the closer the relationship between China and the international market, the more important will be the equilibrium of foreign exchange to ensuring the balance between total social demand and total social supply. Maintaining a certain foreign exchange surplus is beneficial to developing foreign trade and expanding the scale of foreign investments. In this way, supply and demand in

the country will be better regulated. A meager foreign exchange surplus will produce an unfavorable impact on the balance between total social supply and total social demand. Therefore, maintaining foreign exchange equilibrium will play an important role in regulating the balance between total social supply and total social demand and in promoting the development of production and construction in the country.

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CONSTRUCTION OF INDUSTRIAL BELT IN WESTERN SHANXI

Taiyuan JINGJI WENTI [PROBLEMS IN ECONOMICS] in Chinese No 2, Feb 87
pp 34-39

[Article by Liu Zaixing [0491 0375 5261]: "Construction of an Industrial Belt in Western Shanxi Along the Huanghe"]

[Text] Shanxi is a major national base for energy production and heavy chemical industries. Industrial development and distribution plays a pivotal role in the establishment of a base for the entire range of energy production and for heavy chemical industries, while the establishment of an industrial belt along the Huanghe in western Shanxi is crucial to the distribution of industries in the province.

I. Necessity and Possibility of Establishing an Industrial Belt in Western Shanxi Along the Huanghe

(1) The Establishment of an Industrial Belt Is a Strategic Measure for Adjusting the Distribution of Industries in Shanxi

The industries of Shanxi have been developed to a considerable extent. The gross value of industrial output [GVIO] comes to 2.4 percent of that of the entire nation and over one-fifth of that of the "bases" in the five provinces and regions in the area.

Insofar as mineral resources necessary for industrial development are concerned, one major feature of the mineral resources in Shanxi is their variety, the amount of reserves, and their overall position of dominance. Among the nation's 55 major minerals, Shanxi ranks first in the amount of reserves (27.1 percent of coal, 38 percent of bauxite, 17.3 percent of refractory clay and 36.2 percent of pearlite), second in seven minerals produced in Liaoning, and equal to Qinghai, Hunan and Guangdong. Generally speaking, the five most important mineral resources are coal, petroleum, copper, iron and aluminum, commonly known as the "crucial minerals." According to the formula for evaluating the overall importance of mineral resources, that of the five crucial minerals in Shanxi comes to 0.95, or first among the various provinces and regions.

It is the combination of a relatively solid heavy industrial foundation and an overall superiority in the variety of crucial minerals that provides

Shanxi with the material and technological foundation needed to maintain the leading position of its bases. There is, however, a major drawback in the pattern of distribution of industries, namely, the overconcentration of industries within a small area. The industries of Shanxi are mainly concentrated along the Datong-Puxian railway line in the central part of the province where 53 percent of the province's industrial output value is derived from seven cities along the railway, while 73 percent of the gross output value of the large industries is derived from the large-scale industries of densely concentrated large enterprises. The metallurgical, chemical, machinery, food, spinning and weaving, sewing and paper making industries constitute between 50 to 70 percent of the total output value of the entire province, whereas there is hardly any modern industrial base of any significance to speak of in the vast reaches of the eastern and especially the western part of the province with the exception of Yangquan, Zhangzhi and Jincheng. Along the Datong-Puxian railway itself, the industries are concentrated in the two cities of Taiyuan and Datong. The GVIO of the entire province is concentrated in these two cities whose output is 4.85 times that of the other five cities along the railway.

The industrial structure of Shanxi is characterized mainly by the vast volume of transportation, the occupation of vast tracts of land by the industries, the high rate of water consumption, and serious pollution of the energy production and heavy chemical industries. The high concentration of industries has brought with it a concentration of the sources of pollution, a concentration of the volume of transportation and a concentration of land and water usage by the industries, the combination of which has created the following problems:

1. Serious pollution and deterioration of the environment in the industrial and mining areas in the cities.
2. The occupation of vast stretches of flat land suitable for agriculture by the industries.
3. The shortage of water.

(2) The Establishment of an Industrial Belt Is a Strategic Measure for Adjusting the Distribution of Industries in Shanxi and to Strengthen and Perfect the Energy Production and Heavy Chemical Industrial Base with Shanxi as Center

So far as the establishment of the energy production and heavy chemical industries in recent years is concerned, while coal production is being developed at a rapid pace and the production of electric power is satisfactory. However, progress has been slow in the development of the heavy chemical industry, the energy production and heavy chemical industries are lacking in coordination, and the capacity for converting energy on the spot is too low with the inevitable result that the capacity for transportation of coal is overextended and coal is being kept in stock for too long, factors prejudicial to the healthy development of the coal production industry. The serious drawback in geographic distribution of

industries indicates an urgent need to locate industries with high rates of energy consumption in regions where energy resources abound. That calls for changes in distribution patterns of the steel industry over a period of years and its relocation to fuel sources. While engaging in the simultaneous development of the hydroelectric power and aluminum industries in regions with abundant hydroelectric power, we must also engage in the development of coal, electric power and aluminum in regions rich in coal. While developing petroleum and chemical industries in regions rich in petroleum, we must also actively engage in the overall development of coal, synthetic gas, and methane in conjunction with the modernized development of the coal and chemical industries in regions rich in coal. We should expand the traditional acetylene chemicals and construction materials industries and gradually shift the focus of our attention on the establishment of industries requiring a high rate of consumption of dwindling energy resources from regions short of energy resources in the east to regions rich in such resources in the central and western parts of the province. It is important that we should take advantage of its abundant energy and raw material resources to establish as soon as possible an industrial belt in the western part of the province along the Huanghe.

(3) The Establishment of an Industrial Belt Is the Only Way for Shanxi to Escape Poverty and to Acquire Wealth

The central and northern parts of western Shanxi are not only our revolutionary bases but also regions noted for its poverty. The basic features of this region include an abundance of underground natural resources, its weak ecological environment, and its economic backwardness. While a combination of the three has led to the creation of a vicious circle, the basic reason contributing to such a state is its poverty. Because of that, the region does not have any means to bring about a change in the situation, to develop and to take effective advantage of its abundant resources to any great extent. It thus has remained where it is in the vicious circle. In order to break away from the vicious circle, it must depend on the state to provide an impetus to the input of outside resources to enable it to reorganize its key production elements, to put things in proper order above the ground by developing its underground resources and to regain its ecological position so as to create a benign circle. Although the situation in the southern part of western Shanxi is better, the agricultural foundation more solid and the ecological environment more favorable, the economy of the region is still mired in a vicious circle of backwardness. What is required in this modern age is an integrated system formed by the coordinated development of a number of operations. Although agriculture has a major role in the stabilization of the region, there is a great deal more that the various agricultural departments can do to increase their economic effectiveness. Our experience over a number of years indicates that the development of natural agricultural resources alone is not sufficient to promote industrialization and that it would, in fact, lead to regional economic imbalance and a low rate of effectiveness. Under circumstances which have made it difficult to reduce the gap between industrial and agricultural income within a

short period of time, it would be extremely difficult to alter the situation in the region in a basic manner. In fact, the economic situation of the region is likely to develop a recessive trend. For this reason and looking at the situation from the overall point of view, industrial development is not only the answer, but also what is wanted by the people and the only way for the region to escape from poverty, acquire wealth, and achieve prosperity.

(4) Possibility of Establishing an Industrial Belt in Western Shanxi Along the Huanghe

In the early stage of the establishment of an industrial belt in western Shanxi along the Huanghe, consideration should be given, insofar as the geographic scope is concerned, to the inclusion of Hequ, Pianguan, Baode and Xingxian in the north, Lishi, Liulin, Zhongyang, Fangshan, and Linxian in the center, Xiangning, Hejin, Wanrong, and Jishan in the south. These areas cover over 20,000 square km, or 12.9 percent of the area of the province, and having a population of over 2.5 million, or 9.84 percent of that of the province. The potential advantages of this region are:

1. The combination of coal and hydroelectric power resources is favorable in terms of geographic location. The Hedong coalfield, one of six large coalfields in Shanxi, stretches for 420 km from north to south and 45 km from east to west, from Pianguan in the north to Liangweikou in Hejin in the south. In the northern part of the coal belt, encompassing the nine large coal production areas on the eastern bank of the Huanghe, are the coal production areas of Hequ, Baode, and Xingxian in the north, Linxian, Sanjiao, Lishi, and Liulin in the center, and Xiangning and Zhaojiawan in the south, covering a total area of 16,900 square km. Due to the limited degree of prospecting (the average prospected area of the six large coalfields comes to only 26 percent of the coal-bearing area, while that of the Hedong coalfield comes to only 8.6 percent). Although it has been ascertained that the reserves are by no means extraordinary, most of the product is of the coking variety. The coal in the northern part is mostly made up of gas coal, while most of the coal in the central and southern parts is made up of rich coal, coking coal and lean coal. In the central part in particular, the low-sulphur coal and coking coal with a low ash content are of a high quality. The 725-km stretch of the northern tributary of the Huanghe is relatively rich in hydroelectric power resources which can be developed in stages in areas covering the southern and northern parts in western Shanxi with Wanjiashai and Longkou in the north, Jundu and Qikou in the center and Longmen in the south. The total installed capacity of these five stages of hydroelectric power development comes to some 5.6 million kilowatts. This water power axis is capable of being used for overall development and is the closest and most convenient spot for making adjustments in the electric power network stretching from Shanxi to north China. It is therefore the logical point for adjusting the frequency of the sources of electricity as well as the closest and most convenient location for regulating the flow of the Huanghe River in Shanxi. The development of hydroelectric power

makes it possible to establish a link between the coal-generated electricity and hydroelectricity networks and to engage in the simultaneous and complementary development of surface and underground water resources within the region.

2. Favorable Geographic Combination of Energy and Natural Resources

The coal-bearing layer in the Hedong coalfield contains a variety of minerals associated with coal. The bauxite mine in the coalfield has the highest yield in the province. Its bauxite reserves rank first in the nation, while those in western Shanxi are the richest in the province. The reserves in Xiaoyi close to the industrial belt in western Shanxi along the Huanghe River account for over 39 percent, and those of the entire stretch of bauxite mines in Hequ, Baode, Xingxian, Liulin, and Zhongyang come to one-fourth of those of the province. Moreover, it is here that the overwhelming majority of rich mines with the highest ratio between bauxite and silica are concentrated. The coal and bauxite mines have a high content of gallium. The coal and bauxite belts also have an abundance of clay with a high content of lead, alumina, silica, solvent grey rock, and calcium carbide grey rock. The northern part of the Hedong coalfield also has oil shales mixed with coal. This combination of resources has provided excellent physical conditions for the development of coal, electric power, and various raw materials industries with high consumption of energy.

3. Abundance of Water Resources

Although the volume of the tributaries of the Huanghe in western Shanxi cannot be considered as large, there is an abundance of water resources in the inundated banks of the extensive Huanghe. According to a preliminary survey, the rate of flow of the Tianqiao and Longkou springs between Hequ and Baode in the northern part and the Liulin spring in the lower reaches of the Sanchuan River in the central part of western Shanxi comes to 8 to 9 meters per second. The fan-shaped 150 square km area where the Huanghe meets the Fen River in the south in particular has an abundant supply of underground water of good quality. According to a preliminary survey of the 70 square km area, the rate of flow of the underground water which can be tapped comes to 3 meters per second. So far as the per unit area water volume is concerned, it is close to the average of the entire province, although the rate of utilization is lower. While the average total water utilization rate of the province has reached 42.7 percent, that of western Shanxi comes to only 15.3 percent. As for the rate of utilization of runoff water, while the provincial average is over 30 percent, that of western Shanxi falls below 13 percent.

4. Relative Extensiveness of Space and Vastness of Environment

Western Shanxi ranks high in per capita land resources. In terms of scope of geographical area, per capita land resources come to almost 12 mu, or close to one-third of the 9.1 mu average for the province.

In the northern part of western Shanxi in particular, the per capita land area exceeds 21 mu. At present, however, the rate of economic density is still extremely low, especially insofar as industries, cities, and townships are concerned. In sum, the establishment of an industrial belt in western Shanxi along the Huanghe is not only of great significance but also justified by objective factors.

II. Selection of Location for Development of Industrial Belt in Western Shanxi Along the Huanghe and Improvement of Industrial Structure

The industrial structure of the region is a true reflection of the degree of its economic maturity as well as one of the points of departure for further development of the region. So far as its development is concerned, the belt in western Shanxi along the Huanghe is still in the "early take-off stage." In that context, the basic feature of the industrial structure of the region is that, aside from a small number of localities in the southern part, the natural economic pattern still prevails.

Generally speaking, the development of the region requires the following basic conditions:

First, market conditions must be favorable. The products of the industries must meet not only the need for the development of the region but, more importantly, the considerable needs of the nation. A large part of the products must be capable of being exported and there must be good prospects for a vast market and its future development.

Second, considering the special advantages enjoyed by the region, its industries, compared to similar industries in other regions, must be capable of producing a vast amount of products that are competitive.

Third, the industries must have strong forward and backward linkages, that is, a forward linkage that serves to stimulate the production stages further down the line in terms of processing, a backward linkage that serves to stimulate preceding production stages, and a lateral effect of spurring on the local economic development of the region.

That being the case, where should emphasis be put in the development of the region in western Shanxi along the Huanghe? Some favor the development of both agriculture and the exploitation of mineral resources, primarily coal. Others favor concentrating on coal, electricity and construction materials. We will analyze these industries.

Agriculture is not a valuable asset in this region. Although it is still possible to develop agricultural production despite the difficulty of improving the poor condition of the natural environment, limiting factors are considerable. Compared to other regions, it is extremely difficult to make agricultural production viable.

As to whether or not emphasis should be placed on electric power production, a sweeping conclusion should not be made. Aside from the northern part of the Hedong coalfield, most of the coal in the central and southern parts in general, and in the various mining areas in Liliu in the central part of the region in particular, is of a high quality suitable for coking. Since it is not economical to make direct use of this type of coal for generating electric power, it is against the interests of the nation to do so. There is no question that the overall benefits of the step-by-step development of the tributaries north of the Huanghe are considerable. Aside from increasing the volume of electric power in the region, its development also serves to ease the demands on the electric power network in northern China, to create favorable conditions for diverting the water from the Huanghe to the Jin River, to increase the sources of water, to reduce the content of sand, to make water available to the industries and agriculture, to reduce the damage caused by floods in the lower reaches of the Huanghe River, and to help develop inland navigation and the breeding industry. In view of the need for the joint development of hydroelectric and thermoelectric power, it is still feasible to regard the development of the electric power network stretching from the region to northern China as the focal point for regulating the sources of electric power.

Although this belt is blessed with an abundance of water and grey rock resources and is potentially capable of producing large amounts of gangue and red clay, the feasibility of developing construction materials is questionable. The reason is that construction materials have a short radius insofar as the cost benefits of transportation is concerned and are therefore not suitable for export over long distances. Among other industries, that of construction materials is of the "widely dispersed" type which can be developed in a large number of regions. For this reason, the construction materials industry is supportive in character and not too suitable as a leading industry.

Insofar as the standard used for evaluating the key industries is concerned, it is my opinion that the belt in western Shanxi along the Huanghe should put its emphasis on the development of high quality coking coal, the coking industry, the hydroelectric and thermoelectric power industry, and industries ranging from mines to aluminum alloy and aluminum materials production.

The Hedong coalfield is situated in the center of a sea of coal surrounded by the Shenfu-Dongsheng coalfield in the north, the Weibei and Yuxi coalfields in the south, the Daning coalfield in the east and the Huofen, Xishan and Hedong coalfields sandwiched in between. What advantage should be taken of such a configuration? We should produce a large amount of the suitable type of coal of high quality for coking and turn it into coking coal on the spot for smelting and especially for casting. With that as a start, we should then develop the coal tar chemical and precision chemical industries in order to increase our competitive power dramatically.

The aluminum industry is another industry in western Shanxi with a promising future. After having made a survey of the Hejin and Hebaopian regions in 1985, we devised a plan for the development of the aluminum industrial belt in the middle and upper reaches of the Huanghe with reference to the situation of the aluminum industry in the entire nation and its state of development in certain provinces and regions. In the middle and upper reaches of the Huanghe, the various regions should share the work and cooperate with one another to the best of their ability. In the middle reaches of the river in western Shanxi and western Henan, there is an abundance of coal, bauxite, and lime and such resources as silicon and lake aluminum salt used for the extraction of metals. By taking advantage of the combination of the above-mentioned resources in the middle reaches of the Huanghe, we can produce a vast amount of oxidized aluminum, a part of which can be further developed into electrolyte aluminum, aluminum, and silicon, aluminum and magnesium alloy. At the same time, we can supply commercial oxidized aluminum to Gansu, Ningxia, Qinghai and even to Nei Mongol and Shaanxi to take full advantage of the combined resources mentioned above in the middle reaches of the Huanghe. We should make use of the hydroelectric power resources of Gansu, Ningxia and Qinghai, the resources of electric power produced by coal in Nei Mongol and Shaanxi and the commercial oxidized aluminum of western Shanxi and western Henan to develop the electrolyte aluminum industry. Headway has already been made in the development of this industry in these provinces and regions. Judging by the overall distribution of the aluminum industry throughout the nation, the total amount of electrolyte aluminum production is likely to exceed 2 million tons by the year 2000. According to the original plan, the northwestern part of the Huanghe will need 2 to 2.4 million tons of electrolyte aluminum annually. Despite certain readjustments which have been made in the distribution of the aluminum industry recently, the electrolyte aluminum plants that have already been or are in the process of being established in Gansu, Ningxia, Qinghai and Shaanxi will be capable of producing some 800,000 tons of electrolyte aluminum annually by using some 1.6 million tons of oxidized aluminum. Since large-sized bauxite mines worthy of exploitation have yet to be discovered in these regions, the entire amount of oxidized aluminum has to be imported.

From the economic and geographic location points of view, it is most convenient for western Shanxi, which is closest to these regions, to supply the oxidized aluminum needed. Consideration must be given to this factor in developing the aluminum industry in Shanxi. The idea is to develop the aluminum industry in Shanxi in two large localities, one in the north and one in the south, and later establish a base for the development of three medium-sized bases for the aluminum industry to produce the total amount of 2 million tons of oxidized aluminum and 700,000 to 800,000 tons of electrolyte aluminum by using 1.4 to 1.6 million tons of oxidized aluminum. The exportable amount of commercial oxidized aluminum comes to only 400,000 to 600,000 tons, an amount which falls short of that required by the electrolyte aluminum industry in the above-mentioned provinces and regions. For this reason, adjustments will have to be made. One adjustment is to reduce the scale of electrolyte

aluminum production in Shanxi, and the other is to increase the scale of oxidized aluminum production in the province. The latter alternative is preferable, because a special feature in the distribution of the aluminum industry is that, at a certain economic level, when the enterprises are of a small scale, their economic returns are reduced. Aside from the eight large aluminum plants in the nation, the profits of several dozen medium and small-sized aluminum plants is limited due to the fact that they have yet to reach the economically viable level. Aluminum plants, however, should not be overconcentrated because, while certain needs must be met, they contribute to fluorine alkali pollution. In Shanxi, the aluminum industry should be properly distributed in the west and the north along the Huanghe. Consideration should be given to the step-by-step establishment of three large bases in Hejin in the south, Hebao in the north, and Liliu in the center. Although the outright cost of investment is considerable, economic returns are high once investment has been made. Even in the 200,000-ton oxidized aluminum industry of the Hejin aluminum plant, the rate of output value is as high as 46 percent. The economic effectiveness of engaging in the production of electrolyte aluminum, aluminum alloy and aluminum materials is even considerably higher than that of engaging in the production of coal and electric power produced by coal. In underdeveloped regions, engagement in such industries is an important way to raise funds. In regions with an abundance of coal, electric power, and bauxite, the aluminum industry should ideally develop energy conductors. The allocation of one ton of aluminum ingot is equal to the allocation of 8 to 10 tons of standard coal, 4 tons of bauxite, and 6 tons of lime. Thus, in regions rich in energy and mineral resources but poor in transportation capacity, development of the aluminum industry is also an effective way to reduce transportation load. The linkage effect of the aluminum industry is also considerable. According to statistical materials compiled by the planning commission in Yuncheng Prefecture, the production of 1.2 million tons of oxidized aluminum requires the following supportive industries: a bauxite mine with an annual production of 2.4 million tons, a rock mine with a production of 3.6 million tons of lime, a cement plant with a production of 1.8 million tons, a thermoelectric power plant with an installed capacity of 1 to 1.2 million kilowatts, a soda ash plant with a capacity of 200,000 tons, a basic charcoal plant with a capacity of 200,000 tons, a coking plant with a capacity of 300,000 tons, and a silicon plant with a capacity of 40,000 tons. In addition, the production of 1.2 million tons of oxidized aluminum also requires 30,000 to 40,000 tons of processing machinery and casting and an extensive degree of coordinated development of transportation, maintenance and daily services. In other words, the development of the aluminum industry is capable of promoting the development of a cluster of industries, bringing prosperity to a vast region, and providing employment for as many as several hundred thousand people.

After having selected the key points for development, consideration should be given to the direction in which changes should be made in the industrial structure of the region. There are three basic methods for shaping the industrial structure. First is the shaping of the technology oriented structure, that is, turning the direction of regional industrial structure

toward the use of advanced technologies, or directing vigorous efforts toward upgrading the level of advanced technologies so that they play a leading role in the industrial structure. The second is changing the direction of the industrial structure, that is, changing the industrial structure from that characterized by the development of natural resources to that dominated by processing and manufacturing industries. The third is putting emphasis on natural resources, that is, placing emphasis on the development of natural resources so that the type of industries based on natural resources may be able to play a leading role.

The direction for the industrial structure of the region is mainly determined by two factors: first is the existing level of economic development of the region, its basic conditions, and its potential for development; the second is the division of labor. The region in western Shanxi is still in the early stage of economic development. A sufficient number of favorable natural resources have yet to be developed, and the favorable position enjoyed by natural resources has yet to be converted into a favorable position for the commodity economy. Furthermore, the products of the region derived from natural resources are also those in great demand in the nation. It is for this reason that the direction for altering the industrial structure in the region should be determined by the availability of natural resources. However, this type of structure is of a low order in the evolutionary process of the industrial structure of the region, especially at a time when the price structure in the nation is in a convoluted state and the economic system is severely flawed. In view of the low profitability of the enterprises in the region, the value derived from industries in natural resources if calculated on the basis of prices fixed by the state, is equivalent to that resulting from the shifting of a large part of the production value without compensation to regions where the processing and manufacturing industries are well developed. To enable regions oriented toward natural resource exploitation to derive a substantial amount of real benefits and to promote the economic development of these regions, consideration, in the context of the development of natural resources, should be given to the establishment of industries dependent on the overall utilization of natural resources and the processing industry so as to increase the added value of natural resources. In that connection, the region in western Shanxi along the Huanghe should properly engage in the following major productions:

1. Coal mining - coal washing - washing medium coal for generating electricity - export of good quality coal and electric power
2. Coal - coking } -- tar processing - precision chemical industry
 } -- coke - acetylene chemical industry - synthetic materials
3. Thermoelectric power } -- silicon industry } -- aluminum industry --
 Hydroelectric power } -- magnesium industry } -- aluminum salt chemical industry

If necessary, the last two groups can also be used to extend the chain of products to include the light and textile industries.

Thus, the industrial structure of the region can be made to bring about an organic unification and merging of the natural resources oriented with the structural oriented methods with emphasis on the former to develop the abundant natural resources of the region, to meet the needs of the nation, and to increase the economic effectiveness of the enterprises in the region.

To enable the three major groups of productions to operate properly, we urgently need to strengthen two major weak links in the industrial structure in the region: the first is that of communications and transportation; the second is that of education, science and technology.

According to our concept, the industrial structure in western Shanxi may be shaped this way: With ecological agriculture as a foundation and the coal, electric power, lead and chemical industries as mainstays, we can establish a direct link between the major industry and the coordinated and supportive industries of communications and transportation, education, and science and technology to bolster the regional economic system.

III. Economic Layout of the Region

There is a common ground as well as differences between the economic layout and the industrial structure of the region. If the major requirement in shaping the industrial structure of the region is the use of key production elements to promote the development of productive power by forging a link among the departments of the national economy and the reproduction units, then the economic layout of the region requires the proper merging of the production elements according to the circumstances of the various regions to promote the development of productive power. The better the combination of the two mergers, the easier it is to develop the unique roles which can be played by the various productive elements and to make a joint effort more powerful than that which can be made by the various elements separately to promote economic coordination and effective development of the region. It is for this reason that the industrial structure and layout of a region are matters of utmost significance in its development.

The existing national economy in western Shanxi along the Huanghe is still basically a natural economy dominated by agriculture, especially from the point of view of the structure of the population in the cities and rural areas and that of employment. Accordingly, the economic layout of the region is still one characterized by the decentralized agricultural economy. In such a layout pattern, there is an absence of modernized industrial bases and a regional economic center. Most of the small towns are administrative centers with little economic radiation and drawing power. They are thus lacking in the power of polarization and diffusion possessed by modern cities and towns and incapable of forming a modern regional economic network. Making a start in developing the industries is like

drawing an outline of a blueprint for the establishment of a modern economy on a blank piece of paper. In that regard, there are several problems that call for study:

1. Selection of distribution pattern. In view of the fact that the development of modernized industries has just begun in this region and in consideration of the special features of the distribution of natural resources and the topography of the region (energy, mining and water resources and land suitable for the establishment of industries, cities and towns are mostly located along a belt-like area on the eastern bank of the Huanghe), the dot and axle pattern of development should be adopted. Consideration should be given to the distribution of planned projects in the Huanghe basin along the projected Houma-Fenxi, Xiaoyi-Liulin and Shenchì-Shuoxian railways, the development of an axis and the establishment of a framework for the economic distribution in the entire region. Once a framework has been set up, it would be easier to add on the branches and leaves. To engage in the development of the industries, we should adopt the dot and axle pattern in planning for the distribution of local transportation lines by establishing a link between the development of the areas along the axis and the scope of their drawing power; we should readjust the distribution of agriculture, make plans for the location of industrial and mining areas and the establishment of bases for the production of subsidiary foodstuffs; in line with the distribution of the leading industries, we should make plans for the distribution of local industries and township enterprises so that they may permeate and blend with one another the better to establish by gradual degrees an economic network in the region.

2. In order to devise a pattern of distribution for the development of the above-mentioned series of major productions, we should first arrange properly the distribution of the various types of leading enterprises, arrange for the distribution of the related enterprises with close economic and technological ties, and set up one by one the various industrial bases with their own special features. In this connection, attention should be paid to the following:

First, the distribution of the enterprises should not be too decentralized. We must guard against the tendency toward the adoption of the bits and pieces pattern. Consideration should be given to the selection of land most suitable for the establishment of the leading enterprises.

Second, in planning for the distribution of the leading related enterprises and population areas, we should make plans on an overall basis and not permit the various parties concerned to go their own way and to interfere with each other.

Third, attention should be given to the establishment of a regional economic center and the demarcation of the economic regions. The demarcation of economic regions not only calls for the demarcation of their limits but also in such a way as to meet the objective conditions and the need for the division of labor among the regions. With the overall national

economy of the regions in mind, we should determine the direction, the objectives, the points of emphasis and the overall pattern of the various construction projects. We must bear in mind the need to determine the direction, the objectives, the points of emphasis, and the overall pattern for the establishment of the various industries. We must study the scale and the division of functions of the cities and towns in the various regions. That is especially true for the western Shanxi region along the Huanghe where a regional economic center has yet to be established. While engaging in the development of small industrial and mining cities and towns, we must direct our efforts toward determining the locations for the establishment of sizable and versatile regional economic centers in the southern, northern and central parts of the region. The dot and axle pattern of development and the layout for the establishment of townships and regional economic centers call for a concentration of populations and other key production elements in point of space to produce a massive effect in the setting up of assembly points on various scales for engaging in economic and social activities. The reorganization of the regional economic pattern to increase the inherent economic vigor of the various regions calls for "maximum growth" to promote their economic development.

3. We should establish step by step three major industrial hubs, one in the south, one in the north, and one in the center. In the Hejin industrial hub in the south, we should first establish the aluminum industry, then enlarge the scale of development of the coal and coal-generated electric power industry, make a serious effort to establish a series of supportive industrial enterprises in direct coordination and cooperation with the aluminum industry, develop on a priority basis the water power hub in Longmen and put major emphasis on the establishment of the aluminum alloy, aluminum materials molding and the aluminum salt chemical industries. In the Hejin-Baode-Pianguan industrial hub in the north, we should engage in the simultaneous establishment of the coal, electric power, transportation and construction materials industries. With that as a start, we should proceed as soon as possible to the next step of establishing the aluminum industry in Wanjiashai and Longkou, and engage in a serious study of the overall utilization of gas coal resources and the establishment of the coal, electric power and oxidized aluminum industries. In the Liliu industrial hub in the center, we should first engage in the simultaneous establishment of the coal, electric power, road construction, coking, and construction materials industries and the development of the coal tar chemical, the acetylene chemical, the aluminum, and the silicon industry, and then proceed at a rapid pace to the development of the coking, aluminum and silicon alloy industries.

With these three major industrial hubs as points of emphasis in western Shanxi along the Huanghe, we should establish a regional economic nucleus, extend it step by step to the south and the north and then into the east. We should direct our attention to the repair and construction of branch lines of the railway along the Huanghe and take the further step of establishing an entire industrial belt in western Shanxi along the Huanghe.

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BAN YUE TAN VIEWS COUNTRY'S FINANCIAL DEFICITS

HK281058 Beijing BAN YUE TAN in Chinese No 9, 10 May 87 pp 4-5, 6, 7

[Article by Xue Zhongxin (5641 0022 2450): "A Two-Sided View of Financial Deficits"]

[Text] In the vast land of our country, where major changes are taking place, the economic rise has drawn the attention of people at home and abroad. People are also especially concerned about the problems facing her on the road ahead. Some time ago, the fifth session of the Sixth NPC announced a deficit in state finances. A deficit of 70,080 million yuan in last year's final state accounts and another deficit of 8,017 million yuan in this year's state budget are one of the problems that have drawn the general interest of various quarters.

In the view of many people, a surplus or deficit in state finances is directly proportional to the state's economic condition: A surplus, i.e., more revenue than expenditures, shows that the economic situation is fine; a deficit, i.e., income falling short of expenditures, shows that the economic situation is bad. Now that there is a deficit, can we still say that the state's economic situation is fine?

We should say that there is some truth in this view. From the reports to the NPC by Prime Minister Zhao Ziyang and State Councillors Song Ping and Wang Binqian we can see that the appearance of financial deficits has reflected a conspicuous contradiction in China's economic work: poor economic results have restricted the expansion of the state financial income while the excessive scope of investment in fixed assets and the expansion of various public outlays and consumption funds has led to a drastic increase in financial expenditures. If we do not take measures to curb this contradiction but let it develop, it will, as Prime Minister Zhao put it, "lead to serious inflation and soaring commodity prices and throw economic life into chaos." For this reason, it is necessary to attach great importance to deficits and on no account should we take them lightly.

However, can we infer from the deficits in state finances that our country's economic situation is bad? No. This is because financial deficits are only one aspect of the matter and we should also see another aspect.

Another aspect of the matter is that changes have taken place in our country's pattern of financial distribution. In the past, the state construction funds

were collected and distributed chiefly through the state financial channels and the extrabudgetary funds were limited. Therefore, the amount of the state's revenue would generally reflect the size of the state's financial resources. Things are different today. Since the 3d Plenary Session of the 11th CPC Central Committee, by adopting various methods, such as the sharing of profits, the substitution of tax for profit, and the system of responsibility for one's finances at various levels, the state has, in the course of economic restructuring, gradually expanded the financial power of enterprises, departments, and localities, thus greatly stimulating their initiative for increasing production and revenue and opening up financial resources. Thus, in the 8 years from 1978 to 1986, the state's revenue rose from 112.1 billion to 222 billion yuan, an increase of 98 percent; the state's extrabudgetary funds owned by various departments, localities, and state enterprises jumped from 34.7 billion yuan to 167 billion yuan, an increase of 381 percent. If the approximately 60 billion yuan belonging to the urban and rural collective enterprises that have vigorously developed in recent years is also included, the state's extrabudgetary funds for 1986 exceeded 227 billion yuan, greater than the state's revenue of 222 billion yuan.

From this we can easily work out two accounts:

First, if we add the state's revenue to the state's extrabudgetary funds, the figure for 1978 was: 112.1 billion yuan plus 34.7 billion yuan makes 146.8 billion yuan and the figure for 1986 was: 222 billion yuan plus 227 billion yuan makes 449 billion yuan. The amount increased by over 200 percent in 8 years, a yearly average increase of 16 percent. This growth rate is much higher than either the yearly average growth rate of 5.8 percent in the previous 26 years or the yearly average growth rate of 11.5 percent during the First 5-Year Plan, a period generally considered as the best in China's finances. This shows that the current financial deficits occur at a time when the national economy is rapidly developing and the nation's financial resources are stronger than ever before rather than at a time when the national economy is shrinking and the nation's financial resources are failing.

Second, if we analyze the country as a whole, we can see that the current state revenue accounts for only 50 percent of the total financial resources of state and collective enterprises and that, of the state's revenue consisting of the central and local revenue, the proportion of the central revenue dropped from 70 percent in the 1950's to 60 percent in the 1960's and to 50 percent today. Generally speaking with the exception of a few impoverished localities, there are surpluses in local finances, that is to say, there is more revenue than expenditures. This shows that, despite the deficits in state finances, we still have the necessary material conditions to wipe out the deficits because the local finances are in a fairly good shape and because we have considerable extrabudgetary funds.

Naturally, increasing local revenue and extrabudgetary funds are a good thing. The various departments, localities, and enterprises can use this money to do many things which could not be done in the past by relying on central finances alone. The problem is that some of the money has not been spent properly, such as the indiscriminate development of processing industries and the expansion of

non-productive construction projects. Moreover, some of the expenses which should have been borne by various departments, localities, and enterprises are still defrayed by state finances, especially by central finances. Therefore, it is not only entirely possible but also quite necessary to appropriately concentrate the present relatively scattered financial resources to make up for the deficits in state finances, especially central finances. To this end, the state council has formulated corresponding plans, such as issuing through the banks 10 billion yuan worth of bonds for key construction projects and enterprises and raising an equal amount of extrabudgetary funds from various departments, localities, and enterprises for such key construction projects as energy, communications, and raw and semi-finished materials industries listed in state plans. These plans, which were made known to the lower levels one after another early this year, are being implemented in various departments, localities, and enterprises.

In summation, we can see that the state's financial deficits are indeed an unstable factor in China's economic construction and they are a problem in the course of our advance. We must face the problem squarely for it is not something that cannot be solved. Therefore, we should neither dodge nor flinch from difficulty. This seems to be the two-sided view that we should entertain in approaching the state's financial deficits.

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RENMIN RIBAO EXAMINES REFORMING 'IRRATIONAL PRICES'

HK100421 Beijing RENMIN RIBAO in Chinese 26 May 87 p 2

[Article by Ma Kai (7456 0418): "It Is Imperative To Reform Irrational Prices"]

[Text] In the process of the price reform, the unavoidable rise in the general level of prices may cause certain shocks to various social strata. In addition, our price management work sometimes cannot keep pace with the developing situation, some enterprises and lawless elements in society take advantage of these loopholes to raise prices unreasonably using various excuses and in various ways, thus seriously harming the interests of the public. In view of such problems, some people may ask: Must price reform be carried out? Some people even said that they preferred the old situation in which there were no pay rises and no price rises either. So we must give a serious answer to all these questions.

Since the founding of the people's republic, we have continued to exercise state control over prices and have carried out a policy to maintain stable prices. This did play a positive role in history for the establishment and development of the socialist economy and for stabilizing and improving the people's livelihood. However, for a long time in the past, we neglected the role of the law of value. For this and other historical and social reasons, before the 3d Plenary Session of the 11th CPC Central Committee, there were many problems in the price structure and price management methods in our country, and they were mainly reflected in the following three aspects:

First, prices were not fixed in a scientific way. As the prices of tens of thousands of different commodities were all brought under state control, it was not possible to properly and reasonably set the prices. Sometimes, production technologies and costs had all changed, but prices remained unchanged for a long time. As a result, prices became seriously unreasonable. They did not reflect the value of the commodities, nor did they reflect the condition of demand.

Second, the general price structure was not reasonable, and this was first reflected in the unreasonable price parities between different commodities. For example, industrial goods were too expensive, and agricultural products were too lowly priced. The "price scissors" left over from history still exist. Among agricultural products, the price parity between grain crops and other cash crops was also unreasonable, and this caused wide gaps in the incomes of peasants growing different crops. Among industrial products, the unreasonable

price parity made the prices of mineral products, energy, and raw materials too low and made the prices of processed industrial products too high.

For the same commodity, the idfferences between the pruchase price and the sale price, between the wholesale price and the retail price, between prices in different areas, between prices in different seasons, and between prices of goods of different quality were also unreasonable in many cases.

Third, price management was excessively contralized and too rigid. Producers and commercial units lacked positive power to decide the prices themselves. For many goods, the prices were not changed for many years or were never changed after they were fixed. So they could not flexibly reflect the changes in production conditions and the conditions of market supply and demand.

The above-mentioned unreasonable state of prices brought a series of unfavorable consequences to the development of the national economy.

First, the unreasonable price structure caused unfair interest relations among various sectors of the eocnomy, and was not favorable to the development of enterprise vigor and to the mobilization of workers' work enthusiasm. When prices were unreasonable, the profit level of an enterprise and the income level of its workers were not determined mainly by the quality of enterprise management and the volume of work devoted by the workers, but to a large degree by the prices. For example, in 1983, the national per capita tax-profit contribution of all industrial enterprises was 2,776 yuan; however, that of the daily-use chemical industry was 7.060 yuan, or 43 times as such as that of the coal industry, whose per capita tax-profit contribution was merely 160 yuan. It is hard to imagine any substantial difference in the management conditions between these two industries. The wide gap was in fact caused by the unreasonable prices.

Second, the unreasonable price structure hindered the rationalization of the production and consumption structures. Like a distorting mirror, the unreasonable price structure did not reflect the true apearances and often gave misleading signals, luring enterprises onto wrong development courses. Due to the low prices which might make the producers incur losses, it was hard to attract more funds for investment in the production of goods which were in short supply and were urgently needed by the state. On the contrary, due to the unreasonably high prices, the production of some goods which were already overproduced and stockpiled seemed to be profitable and continued to attract more investment, and the trend of overproduction and blind development could not be checked in good time.

Third, the unreasonable price structure could not achieve the result of rewarding the good and penalizing the bad, and could not promote technological progress. As many prices remained unchanged for many years, goods of good quality could nto be sold at a good price, and the development of new products was not properly encouraged. This impeded the development and application of new technologies and new equipment. As prices remianed unchanged for a long time, the designs, models, and specifications of the products also remained unchanged for a long time. All people certainly had deep personal feelings about this. For example,

in the 1960's, a kind of man's handbag, made of artificial leather, was prevalent in Shanghai and spread to all parts of the country, but this type of handbag has now been used by people for over 20 years. As another example, a type of enamel washbasin with the double happiness pattern printed on them was so popular that almost all newly married couples would buy one; another type of washbasin with a shrimp pattern painted by Qi Basishi was also so popular that in a dormitory room of six people there might be three washbasins with the same pattern, and people often confused their basins with those of other people.

Fourth, the unreasonable price structure caused some bottlenecks in the movement of commodities, and hindered the smooth exchange of goods between cities and the countryside. For example, as the purchase prices for some agricultural and sideline products were too low, it was hard to ensure the supply of these products for urban people if the purchase prices were not raised; but if the purchase prices were raised and the sale prices remained unchanged, the state would have to give price subsidies or the commercial enterprises might incur losses. The more such goods were dealt in, the greater losses they might incur. Then, who would be willing to deal in such goods? In addition, the method of using state subsidies to keep the sale prices at a lower level may also give an opportunity to speculators to buy the goods at a lower price and then resell them at a higher price to make profits. Such phenomenon existed before the sales prices of non-staple foodstuff were raised in August 1979. The unreasonable price differences between different areas, and the unreasonable difference between the purchase price and the sale price, adversely affected the sales of industrial goods in the countryside. This was a more prominent problem. For example, pocket knives, safety pins, key rings, thimbles, and other small commodities were often out of stock in rural shops, because the difference between the wholesale and retail prices for these goods was too small, and there would not be a substantial turnover of these goods. Some rural shops had no interest in dealing in such goods and simply let them run out of stock.

Fifth, the unreasonable price structure hindered reforms and is not favorable to the smooth development of all-round economic structural reform. Invigorating enterprises is the central link of the entire economic structural reform. However, unreasonable prices hinder the creation of an economic environment which enable enterprises to compete with each other on an equal basis. The enterprises lack a positive degree of power to determine the prices of their products, and they often face unfair interest relations caused by unreasonable prices. This also places a serious obstacle to enterprise wage reforms which ill link wages to the enterprise's economic results.

Sixth, in the final analysis, the unreasonable price structure is not favorable to development of the productive forces and improvement in the people's standard of living. For a very long period before the beginning of economic reform, prices in our country were definitely rather stable and were seldom changed. However, this made the production of many goods unprofitable, and no one was willing to produce and handle these goods, thus seriously affecting commodity production and circulation. As a result, many basic consumer goods were in short supply and lacked variety of design. Supplies of many goods were rationed. On the one hand, the commodity prices were indeed "low and stable"; on the other hand, the goods were often out of stock or unavailable. The people did not

really benefit from the low prices. On the contrary, they often faced the problem of being unable to buy what they needed. Therefore, fundamentally speaking, price reform is in the public interest.

To sum up. With the development of the socialist planned commodity economy and the in-depth development of the economic structural reform, now is the time that we must reform the unreasonable price structure and the price management system. It is unavoidable that reform may cause some "throes" in society, and without such "throes" the baby will not be born. However, the "throes" caused by price reform will not be long lasting, and the people will gain permanent benefit from them. Of course, this reform must be carried out very prudently, step by step, so as to reduce the pain. As long as we adopt a series of correct reform policies and measures, through some "labor pains" in society a new price structure will be born, and this will develop production, enliven circulation, enrich market supply, and improve and enhance the people's living standards.

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RENMIN RIBAO ON PRICES, IMPROVED LIVING STANDARDS

HK100951 Beijing RENMIN RIBAO in Chinese 2 Jun 87 p 2

[Article by Zhang Yigeng (1728 0001 5105) and Li Keqiang (2621 0344 1730):
"Prices Are Being Readjusted, Life Is Improving"--passages within slantlines
published in boldface]

[Text] The pricing system reform in the past few years has left people with the impression that prices have gone up. Almost all people in various segments of society at all levels of income have reacted to it. People worry that the reform may bring with it a rise in commodity prices, which would lead to a lower standard of living, or slow down an improvement in the living standard. In the process of reforming the pricing system, has the masses' living standard improved or deteriorated? Has the pace of improvement accelerated or slowed down? This is a problem that must be seriously analyzed and seriously answered.

The fact is that the pricing system reform in the past few years has really caused a rise in the general level of market commodity prices. In given years, the increases in prices were relatively substantial. The increase in the non-staple food price has especially aroused the reaction of the masses. The price rises naturally cause an increase in the people's cost of living. But it should be said with certainty that generally speaking, the pricing system reform in the past few years has not led to a deterioration in the people's living standard. On the contrary, the living standard has been raised, to quite a substantial degree. According to a State Statistical Bureau investigation, living standards in the past few years have shown the greatest improvement since the founding of the PRC.

The main causes of an improvement in the living standard of urban and rural residents in the past few years are:

/1. Urban workers have received higher incomes through various channels, such as the state's price subsidies, increased wages, increased bonuses, and so forth. The increase in income has exceeded the rise in commodity prices./ In 1986, the average annual pay for every worker was 1,332 yuan, more than double the figure of 614 yuan in 1978. With an adjustment for the factor of a rise in commodity prices, the average actual annual pay for every worker in 1986 was still 51.1 percent more than that in 1978.

/2. Increased employment for residents of towns and townships has brought about a marked increase in residents' families./ A spot check of income and expenditure for 17,000 families of residents in 108 medium-sized and small cities throughout the country showed that employment for the families of urban residents rose from 48.6 percent in 1978 to 57.9 percent in 1986. The average number of people supported by each employed (including the one employed) dropped from 2.06 in 1978 to 1.73 people in 1986 (including retired workers). Wide employment, coupled with an increase in the average pay for workers, enabled per capita income of urban residents' families devoted to living expenses in 1986 to reach 903 yuan (a monthly average of 75.25 yuan), an increase of 587 yuan over 1978, or 190 percent, with an average annual increase of 14 percent. After an adjustment for the factor of price rises, there was an increase of 9 percent in the actual annual income.

/3. Given an increase in the prices of agricultural and sideline products and the development of the rural economy, peasants' income has shown a big increase in recent years./ The income derived by peasants throughout the country in 1986 from the sales of agricultural products was 188.52 billion yuan in cash, an increase of 82.31 billion yuan compared with the income from the sales of an equal quantity of agricultural products in 1978. According to a spot check by a statistical department, the average net income for each peasant showed an increase of 251.82 yuan. The development of rural industrial and sideline undertakings and a diversified economy has brought the peasants an attractive income.

An increase in the income of urban and rural people has made for a marked improvement in the people's living standard. This can be proved by the increase in the people's level of consumption and the changes in the consumption pattern.

First, look at the conditions of urban residents. In 1986, the per capita consumption of urban residents in our country reached 865 yuan (a monthly average of 72.1 yuan), an increase of 306 yuan over 1984, or 54.7 percent. After an adjustment for the price rise factor, the actual level of consumption registered an increase of 29.2 percent, or an average annual increase of 13.7 percent.

"Food is everything to the people." Food is the most fundamental of all daily necessities. The percentage that spending on food accounts for in all living expenses reflects, in one aspect, the high or low living standard. Generally speaking, the lower the living standard of residents the higher the percentage of spending on food. In 1984, the percentage of food spending by the town and township residents of our country reached 58 percent. Based on comparable prices, it was a drop of 14.3 percent compared with 1957, and a drop of 53.4 percent compared with 1980. But the absolute food consumption figure still rose from year to year, with an increase of 14.3 percent in 1986 over 1984.

Urban residents have switched from spending in the order "food, clothing, and consumer goods" to spending in the order "food, consumer goods, and clothing." Various kinds of commodities consumed by the residents have also been continuously upgraded, as manifested by the following:

/1. Food consumption has developed in the direction of a more nutritious mix./ In the past, quite a large part of urban residents' expenses went to solve the

problem of keeping fed and clad. In 1957, urban residents' food spending accounted for a large proportion. Moreover, nearly 40 percent of food outlay went to buy grain. But by 1984, the outlay for grain had dropped to 19.5 percent of food spending. In 1986, it again dropped to 14.4 percent. On the other hand, what are known as "non-staple foodstuffs" like vegetables, meats, fowls, eggs, aquatic products, and so forth played an increasingly important role. In 1986, the average spending by every urban resident on these "non-staple foodstuffs" was 870 yuan. Consumption was 12 percent higher than in 1984. Of non-staple foodstuffs consumed, the proportion of beef, mutton, fowl, eggs, and aquatic products had grown more quickly than that of pork. In many areas, fat meat has obviously been less popular with many families. This shows that the food mix for residents is showing a preference for "more protein, less fat." But what is worth mentioning is that the sales of melons, fruits, cakes, various kinds of beverages, milk products, typical local foods, canned foods, foods known for their curative effects, and so forth which have all been in the category of low consumption in the past have now shown a substantial increase. In 1986, the percentage of spending on these foods surpassed that classed as "staple food."

/2. Clothing consumption has developed in the direction of medium and high grades and variety./ In the 1950's, the main clothing material for residents was cotton cloth. Now, the outlay for residents was cotton cloth. Now, the outlay for cotton cloth and garments made of it accounts for only 5.1 percent of their spending on clothing. As far as most of the residents are concerned, clothing is no longer simply a matter of keeping warm. Instead, it is the satisfaction of needs at higher levels and a demand for beautiful appearance, stylishness, variety, comfort, and tastefulness. In the past, general residents seldom inquired about woolen and silk goods, and other dressing materials and garments of high grades. Now, they have become "popular with general families." Its now quite common for urban residents' to possess several woolen suits. Among the families of rural residents, woolen and silk goods are also nothing new.

/3. Medium and high grade durables have been further popularized./ The purchase of medium and high grade durables is only possible after the satisfaction of basic needs in life and the realization of affordability. Therefore, the high or low outlay for durables and the percentage that it accounts for in living expenses can be a measure of the living standard. In 1986, each urban resident spent an average of 106.32 yuan on durables, with each household averaging 398 yuan. It accounted for 12.3 percent of living expenses. In the past 2 years, this change has especially been noticeable. In 1984, the average spending by each household on the purchase of durables reached only 171 yuan, or 7.6 percent of living expenses. At the end of 1986, the number of color TV sets, refrigerators, washing machines, tape recorders and cameras showed an increase of more than 60 percent over 1984.

The living standard of peasants has also shown a great improvement compared with a few years ago. In 1986, apart from the self-provided means of subsistence in the country's rural areas, the per capita amount spent by peasants on daily necessities still reached 216.97 yuan, 3.8 times the figure of 44.84 yuan in 1978. In recent years, spending in the countryside on clothing, industrial products for daily use, culture and entertainment has shown a marked increase.

Peasants have acquired large quantities of medium and high grade durables. During the Sixth 5-Year Plan, more than half of the peasant households in the country built new housing, with the quality of housing constantly improving. At the end of 1985, peasants' per capita occupied area had reached 14.7 square meters, an increase of 81.5 percent over the figure of 8.1 square meters in 1978.

On the whole, there has been a continuous improvement in the people's living standard in the past few years. This is a fact. But there is no denying that given imbalances in income increases, a small number of households have really not quickly improved or have failed to improve their living standard. Some households have even shown a decrease in income. Life for people in some remote, mountainous and poverty-ridden areas with impoverished soil and little cultivable land is still quite difficult. In social distribution, there are still certain reasonable situations. The real implementation of the principle of distribution according to work still takes a lot of doing. Under these circumstances, it is understandable that some people have something to say and complain about commodity prices. We should face up to these problems and take them seriously. We should also take measures to seek a gradual solution. But these problems in no way provide an argument for thenegation of reform and are instead matters to be solved in continuing the reform.

Some comrades have an inadequate understanding of the positive effect of a readjustment of commodity prices. They are obsessed only with the rise in commodity prices, and fail to see the improving life of the people. Some say: "We would rather have no wage increase than see a rise in commodity prices." It seems that just given no increase in commodity prices and no cut in pay, the people's living standard will definitely not deteriorate. Given only an increase in commodity prices, despite an increase in wages at a still quicker rate, the people's living standard will also not be raised. Is this view correct or not after all? All comrades over the age of 40 still remember that in the 20 years or so from the end of 1950's to the end of 1970's, despite relatively steady commodity prices and no cut in workers' wages, because of the slow development of production or a state of stagnation, the shortage of commodities on the market, "a flood of coupons," the unavailability of commodities at set prices, and the supposedly unchanged prices of commodities that actually could not be obtained, not only was life not improved, but it was also very inconvenient. It can be seen that the key to the improvement of the people's life lies in the development of production. The reform of the pricing system is an indispensable means in stimulating the development of production. Only with the development of production and with more things on the market, can there be a solid basis for the improvement of the people's life. This principle has been borne out by the facts in the past few years.

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CSO: 4006/752

CHONGQING DEVELOPS COMMODITY BROKERING BUSINESS

HK100239 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0400 GMT 9 Jun 87

[Text] Despite the different views in all walks of life about brokers, the business activities of brokers in Chongqing are still very active. In the first half of this year, the volume of transaction in 20-odd commodities, in which they acted as intermediaries, amounted to over 18 million yuan.

The first group of brokers emerged in Chongqing last September. Most of them are retired workers or staff members who generally have 20-30 years' experience in economic business activities. They have a wide range of knowledge about commodities, quick access to market information, and know circulation channels very well.

As Wang Fangyin, a Chongqing Manufactured Goods Trade Center manager in charge of brokers' activities put it, people from all walks of life have different views about brokers, who have emerged again after a lapse of several decades, but most people recognize and support them. A small number of people, however, hold that they are speculators. The family members of some of the brokers have also stood in the way, holding that brokers have such an unsavory reputation that their family members lose face.

Since the beginning of this year, the relevant management departments in Chongqing have strengthened guidance and support for, the brokers' activities. The industrial, commercial, and tax departments have also exercised supervision over them so that the intermediary activities of brokers can be legalized. There are now about 180 brokers in Chongqing. With increased business, the personal income of brokers has also increased but the disparity in income is rather great.

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GUANGZHOU BANKS EXPERIMENT WITH NEW SYSTEM

HK110641 Guangzhou Guangdong Provincial Service in Mandarin 0900 GMT 10 Jun 87

[Text] The Board of Directors of the Guangzhou branch of the People's Bank of China recently decided that from now on, enterprises can choose their banks and banks can choose enterprises as their clients and that all professional banks will experiment with a system of interlocking their banking business.

This is an important step in reforming Guangzhou City's financial structure. This method changes the old practice whereby an enterprise could only open an account in one bank, and allows enterprises and units to choose their own banks. Under this system, an enterprise can open accounts in several banks and banks can choose enterprises as their clients without guarantee issuing loans to them.

In addition, all professional banks have broken with the division of professional work and have experimented with overall banking business of both renminbi and foreign currencies.

To ensure smooth progress of the reform, the board of directors of the Guangzhou branch of the People's Bank of China has decided that all professional banks and enterprises must abide by the relevant policies and regulations formulated by the state and are not permitted to exploit advantages and seek more bank deposits, clients, or loans by unhealthy means. Those who violate the regulations will be investigated and punished.

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CSO: 4006/752

BRIEFS

XINING SAVINGS DEPOSITS--By 20 May this year, the Xining City Industrial and Commercial Bank's urban savings deposits exceeded 500 million yuan, an all-time high. According to statistics, during the 8-year period from 1979 to this year, the net cumulative growth of the Xining area's urban savings deposits reached more than 430 million yuan, with an average annual growth of 54.55 million yuan. Of the Xining City Industrial and Commercial Bank's current credit balance totaling 900 million yuan, some 50 percent of the total credit balance came from the growth of savings deposits. [Summary] [Xining Qinghai Provincial Service in Mandarin 0430 GMT 3 Jun 87 HK] /12232

CSO: 4006/752

BRIEFS

JILIN PLACER GOLD MINE--The placer gold mine in Meihekou City has been appraised as the biggest placer gold mine in Jilin Province. Through 2-year efforts, the broad masses of commanders and fighters from the armed police forces and the No 5 Gold Prospecting Team have finally defined the scattered gold mine positions and the volume of gold deposits. [Text] [Changchun Jilin Provincial Service in Mandarin 2100 GMT 4 Jun 87 SK] /12232

CSO: 4006/752

ROLE OF INDIVIDUAL ECONOMY IN CHANGCHUN VIEWED

HK041115 Beijing JINGJI YANJIU in Chinese No 3, 20 Mar 87 pp 51-53

[Article by Li Bin (2621 2630) and Zhao Ming (6392 2494) of the lectures' group under the Changchun City CPC Committee in August 1986: "Changes in the Role of Individual Economy: An Investigation of the Individual Economies of Towns and Townships Under Changchun City"--passages within slantlines published in bold-face]

[Text] In 1986 we conducted an investigation on the individual economies of towns and townships under Changchun City. The investigation included a questionnaire which was responded to by 1,054 individual households in these towns and townships as well as a survey on 296 industrial and commercial managerial staff. The target of investigation ranged across five districts (including the suburban areas) of, the five counties and townships under the jurisdiction of Changchun City and its largest comprehensive trade fair.

Impressive Changes Are Taking Place in the Role of the Individual Economy

At present, the development of China's town and township individual economies is at their prime following the founding of the state. By the end of September 1986, the total number of people engaging in individual industry and commerce across the country was 17.66 million. Of the figure, the number of individual laborers working in towns and townships increased from 150,000 at the end of 1978 to 4.5 million at the end of 1985. In 1985, the number of individual households in the city was estimated to be as high as 40,302 or 55,340 individual laborers, representing an increase of 9 and 10 times respectively. The registered capital of these households totaled 54.45 million yuan, and the annual turnover reached 367.26 million yuan, which, when compared to those of 1983, showed an increase of 12 and 7.8 times respectively. Not only did the individual economy develop quickly but it also expanded its scope of operations constantly. The trade which attracted the largest number of households and people and which yielded the highest turnover volume was commerce; while the one whose total amount of registered capital was the largest was transportation. The one which yielded the highest annual turnover volume per capita was itinerant trading, and the one yielding the lowest volume per capita was the building maintenance industry. (see Table 1)

Table 1

Basic Situation of the Individual Economy of Towns and Townships under Changchun City in 1985

Item Trade	Number of households	Number of people	Registered capital (10,000 yuan)	Annual turnover (10,000 yuan)	Turnover per capita (yuan)
Total	40,302	55,340	5,445	36,726	6,666
Handicraft industry	3,286	4,985	269	1,721	3,452
Transportation	3,988	4,617	1,590	4,084	8,846
Building Main- tenance	111	459	459	90	1,960
Commerce	2,713	25,553	1,535	19,885	7,781
Itinerant trading	176	211	28	1,025	48,578
Catering	3,753	9,583	534	5,190	5,416
Services	2,731	4,106	167	1,648	4,014
Maintenance	2,650	3,459	202	1,733	4,883
Other	1,894	2,277	661	1,350	5,929

/Judging from the national economy as a whole, the individual economy is still a supplement to the socialist public ownership economy. Judging from the trades of the urban economy, however, the individual economy is becoming the principal component part of some trades./

1. The development of commercial outlets in urban areas in recent years has reflected the trend that the individual economy is the core of development. (footnote 1) (Judging from the current requirements of statistics, all newly established outlets in urban areas are collectively called commercial outlets) At the end of 1985 the total number of urban outlets in Changchun City was 27,327, an increase of 2 times compared to 1982. Of them, the number of outlets owned by the whole people was 1,927, accounting for 7.05 percent; the number of those owned by the collectives was 5,468, accounting for 20.67 percent. Among the newly added outlets, the percentage of those owned by the whole people, by the collectives and by the individuals was 5.2 percent, 21.7 percent and 73.1 percent respectively. There were 9 trades over 50 percent of which were owned by individuals. They were namely:

Trades	Number of individual Outlets	Proportion to the total number of outlets in the trade (percentage)
General merchandise	1,139	63.6
Clothes, footwear and headwear	1,540	99.2
General non-staple food	3,502	72.6
Catering industry	2,077	72.4
Hotel industry	459	57.1
Hairdressing	282	81.5
Photography studios	137	71.4
Dyeing	26	54.2
Repair and maintenance	1,346	84.6

Trades in which the proportion of individual outlets was relatively small were the trade of articles for daily use, accounting for 41.9 percent, as well as the trade of hardware, transportation and chemistry, accounting for 26.2 percent. There were still no individual households in such trades as grain trading and bath house operations.

2. The individual economy occupied a dominant position in some trades. For example, the 1984 retail sales volume of the catering industry run by individual households was 62.63 billion yuan, an increase of 1,351 yuan over that run by the whole people and 947 yuan over that run by collective enterprises. Out of the 1,592 repair and maintenance industry outlets, there were only 3 enterprises owned by the whole people and 243 collective outlets. In 1985 the turnover in the repair and maintenance industry run by individuals reached 25.54 million, which was so high that they were far ahead of the trade's other enterprises, whether they were owned by the whole people or collectives. Among such trades as hairdressing, photography studios and sewing services, the scale of the individual economy is gradually developing and it has achieved an advantageous position.

3. The trading market which focused on the individual economy was developing rapidly and has projected widening and indispensable circulation channel. Some 300,000 people, or as many as 350,000 people on holidays, visited the city's markets each day. The total turnover in the city's market in 1985 was 250 million yuan, or 12.6 percent of the retail sales volume of commodities for society, representing an increase of 29 times over that in 1979. The market at Guangfu Road, which mainly sold used goods in the past, has become a 21,000-square meter comprehensive and large market. There were 1,112 individual households, 70 collective enterprises and 18 enterprises owned by the whole people participating in the trading. On the average, some 40,000 to 50,000 people visited the market each day, and as many as 130,000 to 140,000 people visited on holidays. In the market were over 400 kinds of agricultural and sideline products, and over 3,900 kinds of industrial goods for daily use and small commodities. During normal times, an average of some 40,000 kg of major agricultural and sideline products changed hands in the market. Moreover, the figure reached 100,000-odd kg during festivals and the peak season. Between January and August 1986 the turnover volume was 69.38 million yuan. It is expected that the annual turnover will reach beyond 100 million yuan. In 1985 this market alone provided Changchun City with 33.5 yuan of per capita consumer goods. Over the years, the volume of basic consumer goods transacted on the market has been increasing. In 1985 there were 16.81 million kg of grain, 1.663 million kg of edible oils, 2.239 kg of pork, 2.85 million kg of eggs, 1.316 million kg of aquatic products and 11.437 million kg of fruits sold on the market. The sales volume of fruits, if calculated according to the fixed requirements of 1984, was 1.34 times over that of state-owned and cooperative commercial departments. The results of a sample survey showed that 29.1 percent of the vegetable consumption of urban residents was provided by the market. In particular, most of the seasonal fruits were offered by individual households.

The development of the individual economy has emerged from the image of being a "corner economy." Instead, it has become an important economic pillar. It seemed that to vaguely and collectively name it a "necessary supplement" was no longer sufficient.

/The development of the individual economy promoted the progress of rationalizing the urban industrial structure./

A common failing of our urban economic development was that we over emphasized urban industrialization, which brought the dislocation of the industrial structure and long-term backwardness to tertiary industry. The large-scale development of the individual economy over the years had, to a great extent, solved this shortcoming. The proportion of people engaging in the city's primary and secondary industries to those in the city's tertiary industry changed from 61.7 to 38.3 in 1980, to 56.6 to 43.4 in 1984. The number of people engaging in tertiary industry increased by 128,601, of which people working in commerce, the catering industry and the services industry alone accounted for 53.2 percent. On the other hand, the number of individual laborers accounted for 50.9 percent of the newcomers in the trades. Between 1983 and 1984 the tertiary industry's proportion of the gross national production value increased from 14.7 to 16.2 percent, while its national income increased by 240 million yuan. The growth of commerce and the catering industry accounted for 42.9 percent of GNP growth and 49.7 percent of the national income respectively. The retail sales growth in the commerce and catering industry run by individual households accounted for 12.6 and 94 percent of their total growth. In the wake of an increase in the number of service outlets, "several problems" or urban areas were thus basically solved. Of course, the development of tertiary industry cannot be simplified as purely running shops and restaurants. Nevertheless, it is undeniable that the individual economy has played an important and promotive role in the strategic changes in the rationalization of the urban industrial structure. Though there were problems in having an uneven structure in the development of tertiary industry, factors that would adjust the structure were also budding and developing. At present, there is a large household in Changchun which provides scientific and technological consultative services. This household was obtained 10 technological achievements and has applied for national patent rights for them.

/Proceeding from the comparison of labor rewards, the individual households are a stratum of the social laborers who get rich first./

The investigation showed that the minimum level of average monthly income of trades run by individuals was about 250-300 yuan, which was above the maximum level of average monthly income of any trade undertaken by units owned by collectives and by the whole people. Among the 170 retired personnel and staff not engaging in production, only 13 ran their individual operations because they were "discontent with their original work" while most of them wanted to "get rich first." According to statistics, some 90 percent of the individual industrial and commercial households which have run their businesses for more than 2 years at the Guangfu Road market became 10,000-yuan households. It was quite normal for an individual household with 2,000 to 3,000 yuan of capital and 2,000 to 3,000 yuan in bank deposits, to spend 2,000 to 3,000 yuan a year.

Why do individual households earn a high income and become rich quickly? We believe that there are five reasons: First, because there was a proportional dislocation of the overall distribution of social labor, the labor of individual households was converted into additional social labor. Generally speaking, the

labor of individual laborers went into trades in which the overall distribution of social labor was terribly insufficient, or filled the gaps among existing trades. Therefore, though the amount of their individual labor was just the same as that of other departments' laborers, they obtained excessive rewards as a result of society's recognition of their individual labor, which expanded social labor and supplied the commodities that were in great demand. Moreover, we must realize that the labor of individual households requires longer hours and stronger labor intensity. It should therefore bring about corresponding rewards. Second, individual households put a considerable amount of capital into their production; were solely responsible for their profits and losses; undertook risks; and enjoyed no social and labor welfare such as medical, housing and retirement benefits, and pensions for the death and disabled. These were of course reflected in terms of normal income. Third, some individual households were so brilliant in their operations that they earned a high income despite competition. For example, some itinerant traders made a fortune by making use of the "information gap and time difference." In addition, some individual households earned a high income because they mastered a particular kind of skill. For instance, a roasted chicken shop in Beilaishun Road in Changchun City, earned a monthly income of some 3,000 yuan, a lion's share of the roasted chicken market, with the quality and unique flavor of the product. There were also individual households which sold such special commodities as traditional handicrafts, famous flowers, potted plants, paintings and calligraphic works. Since the sales price of these commodities reflects both the individual one and the social one, it is very difficult to find a reference for its evaluation. Fourth, since the price had not been rationalized, some people made profits by making use of the price differential. Fifth, some individuals undertook illegal trades and practiced profiteering. In short, there are complicated reasons why individual households earn a high income. Proceeding from the view of the majority, there were people who earned their income by making use of their labor and management capability, and there were some who earned their income by making use of their capital. Therefore, when there is still the "course" in the "bowl" of other laborers of distribution according to one's work, it is inevitable that on the road leading to common prosperity, the individual households will earn a high income and get rich first. Nevertheless, we must realize the problem of earning an excessively high income, which is not in tune with the majority of individual laborers, as well as the psychological contradictions and conflicts arising therefrom.

Healthy Development of the Individual Economy Depends on an Efficient, Strict Management System

A prominent contradiction of the present development of the individual economy is that the administration work lags behind. The specific manifestations are:

Insufficient services. According to the responses to the questionnaire, 31 percent of the individual households said that they were "eager to pursue further studies and to study technology, principles and policies, but that no arrangements had been made." Also, 44 percent of them said that they did not have quick access to information and requested an "exchange of information." Some of them further said that they had "received no responses despite their urges for advanced," that they "paid too much just for minimal services," and that the work of guiding the distribution of trades and investment was not good enough.

Slackened supervision. The financial management of individual households was in such a mess that 61 percent of the 1,054 households interviewed had established no books, 24 percent only kept records of current accounts, and only 15 percent had established a full set of books. The result of this situation is:

- 1) Individual households were unable to carry out the necessary business accounting or to promptly evaluate the input-output results of their operations.
- 2) The administrative departments of the state were unable to correctly understand the actual income of individual households so that they lacked a scientific base for levying taxes and charges. Of the industrial and commercial managerial staff interviewed, 34 percent "understand but not correctly" about the income of individual households, or they "just solely depend on the figures reported by these households." Also, 80 percent held that the present major contradiction in industrial and commercial management was that "management is not good enough, and supervision is slack." The phenomena in which a few individual households arbitrarily hiked prices and evaded taxes were not promptly checked.

Imperfect management and the legal system. Since there were no explicit rules or regulations on punishing people who practiced trading without authorization, we could only adopt the method of "shooting them away" which inevitably affected the business of proper individual households. At the same time, it lacked the necessary regulations on administering the lawful operation of individual households, such as a standardized rate of charges, so confusion developed about the collection of charges.

Managerial staff with weak and poor quality. On the average, each industrial and commercial managerial staff administered more than 500, or even as many as 2,000 plus individual households. The contents of administration were so tedious and diverse that they included family planning, subscriptions to newspapers and treasury bills, and so on. Of the people interviewed, only 2 percent received a university or college level education, 65 percent received financial and fiscal education at the secondary school level, 26 percent did not learn their management operations systematically, and only 36 percent believed that they were competent in their jobs.

Inharmonious management. The departments concerned stressed only their duties and neglected their support in developing the individual economy. The urban construction departments hesitated to occupy lands. The public health departments avoided handling disgusting matters. The public security departments dodged chaotic situations. The commercial departments evaded the "crowded" situation. Therefore, 60 percent of the industrial and commercial managerial personnel held that "the most difficult problem was the inharmonious work among various parties." Because of poor supervision the healthy development of the individual economy was undermined. The city's number of individual households has dropped by 300 since 1986, and poor supervision was one of the reasons for this, in addition to the eventual process of the survival of the fittest.

We must establish a forceful management system with efficient services and strict supervision. Judging from the viewpoint of macro-readjustment, governments at all levels must establish an organization for coordinating work concerning the individual economy. This organization should symbolize the

government's duty in supervising the individual economy. Specifically speaking, this includes the work of formulating principles and policies concerning the development of the individual economy; participating in the work of drafting economic laws and regulations concerning the economy; keeping abreast of, and finding solutions to major issues concerning the development situation of the economy; handling the registration of individual households; and coordinating the development speed and proportional structure concerning the relationship between the individual economy and the national economy; and so on.

Proceeding from the requirements of offering support and services, we should encourage the roles of individual laborers' association. They should provide consultative services to individual households, exchange their experiences, circulate information among them, publicize projections of the market, and establish party and CYL organizations among individual laborers. Through this management system of educating, servicing and managing itself, the individual economy will develop healthily under the system of management by both society and itself.

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CSO: 4006/752

XIZANG PARTY LEADER SETS TASKS FOR TRADE UNION WORK

HK050323 Lhasa Xizang Regional Service in Mandarin 1030 GMT 4 Jun 87

[Excerpts] Regional Party Committee Deputy Secretary Basang made an important speech at the Regional Trade Union Work Conference on 4 June. She demanded that the trade unions at all levels mobilize and organize the staff and workers to actively plunge into reform and contribute efforts to invigorating the region's economy.

She said: In connection with the region's realities, the trade unions at all levels must continue to conduct positive patriotic education among the cadres, workers, and masses of all nationalities in upholding party leadership, preserving the motherland's unity, and strengthening nationality solidarity. It is necessary to guide the staff and workers to profoundly understand through integrating theory with reality the importance of adhering to the four cardinal principles, spontaneously implement the party's line, principles, and policies, and contribute to building a united, affluent, and civilized new socialist Xizang.

Comrade Basang called on trade unions to actively mobilize and organize the staff and workers to plunge into reforms. They should continually strengthen their own building, improve the quality of the cadre force, and do their work in a creative way, thus contributing their efforts to invigorating the region's economy.

In conclusion, Basang demanded that the party and government organizations at all levels attach full importance to the role of the trade unions and vigorously support their work. They must absolutely not regard the trade unions as a place for resettling cadres who have retired from the first line. She hoped that the region's trade union work would score still greater success as a result of this conference.

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LIAOWANG ON DEVELOPING LABOR EXPORTS

HK090309 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 22, 1 Jun 87

[Article by Lu Xiaohua (7120 1420 5478): "Hualong Company Promotes Export of Labor Service"]

[Text] It is an important step in China's open policy to vigorously seek various forms of international economic and technological cooperation and open wide the door of abundant labor resources to the outside world. According to information provided by relevant government departments, there are now 67 companies in mainland China engaged in contracting international projects and labor cooperation, which include 2 companies dealing specifically with international labor and technological cooperation business--the Hualong International Labor Cooperation Company and the Everbright International Labor Service Company, a branch of Beijing Everbright Industrial Company.

On the occasion of the first anniversary of the opening of the Hualong Company not long ago, a responsible person of the company told this reporter that the company has signed a number of contracts with overseas firms. Under some contracts, the laborers and technological personnel sent by China have already started to work for the employers of the countries concerned. Measures are also taken to implement the rest of the contracts.

From Sideline Occupation to Regular Business

China started to contract international projects and carry out labor cooperation with the implementation of the open policy in 1978. Over the past few years, however, export of labor related to the projects was promoted mainly through contracting overseas projects. The question of labor export was not actually put on the agenda. As a result, although China's labor cooperation with other countries developed somewhat, the progress was very slow. Obviously, such a state of affairs does not suit the conditions of a large country which has abundant labor resources and large numbers of people with professional skill. It is tantamount, then, to blocking the way to foreign exchange earning.

The SEventh 5-Year Plan which started in 1986 has included contracting overseas projects and carrying out labor cooperation in the state plan for the first time. This shows that the Chinese Government has attached great importance to international economic cooperation. Meanwhile, many countries and regions which need labor have made frequent contacts with China's relevant departments to seek large-scale, multi-level, and diversified labor cooperation. China, which had

abundant labor resources, also needed a channel to link up its contacts with the outside world. The Hualong Company and Everbright Comapny which specially dealt with international labor cooperation emerged against precisely such a background.

The Hualong Company is a corporate nongovernmental company. It has close contacts with China's official organs, particularly the personnel management departments. Along with labor contacts between enterprises and between enterprise and individuals, the company also deals with labor contacts between individuals. The term of contract may be long or short and payments are flexible. The company develops international labor cooperation by offering multi-level and diversified services.

Seek Development Through Straitened Circumstances

According to the standard established by the World Bank, labor trade can be divided into two categories. Transport, insurance, tourism, communications, consultative services, information transmission, and leasing are classified as non-essential labor, while export of labor is termed as essential labor. At present, the number of workers moving temporarily from one country another total around 20 million. The amount of money they remit annually to their motherland totals \$25 to \$30 million. This is undoubtedly of great significance to the international balance of payments and increase of foreign exchange reserves of the country that exports labor. Pakistan, for example, received remittances from overseas workers in 1980 that almost equalled its export commodities.

In the past decade, however, the labor market in West Europe and North America has been in a depressing state due to the slow growth of their economies. Due to the influence of the war between Iran and Iraq and the war to cut down oil prices, there was an economic recession in some oil-producing countries in the Middle East. Their demand for labor service has consequently declined.

Despite being confronted with such an unfavorable situation, the managerial personnel of Hualong Company did not lose their optimistic attitude. Although the Middle Eastern market is in a depressing state, they said, it has latent potentials. A few years ago, the countries in the Middle East built a number of large projects and many of them are now winding up. The operation, management, and maintenance of these projects require large numbers of laborers, particularly skilled workers and specialized personnel. The indications of recovery in the West European market show that there is a great demand for labor cooperation in the tertiary industry. These technological, social, and domestic services precisely constitute the direction of Hualong Comapny's business.

Over the past year, the Hualong Company has taken the following steps along this line:

--It has set up branches at various localities in China to investigate, look for, and organize export of labor. There are now six branch companies for registration. A total of 15 branch companies and 5 liaison offices are expected to be established within the year.

--It has strengthened lateral ties and established ties of information, capital, and personnel with domestic enterprises to as to lay conditions for exporting

labor and technological personnel through various channels. More than 10 enterprises have become partners of Hualong Company, including the China International Trust and Investment Corporation, which has strong financial strength, the China Urban and Rural Garden Construction Company which has distinctive Chinese characteristics, and a number of service and technological enterprises.

--As a prelude to the establishment of branches abroad, the company is looking for overseas partners or agents on the one hand, and is trying to look for commission agents with reliable credit on the other hand.

--According to the contracts, the company has sent a number of specialized personnel including cooks, computer software exploitation and hardware maintenance workers, managerial personnel, and some senior engineers and technicians to the United States, Japan, Federal Republic of Germany, Hong Kong, and Norway.

These steps have laid the foundation for further developing the company's business.

Export Labor Resources With Chinese Characteristics

According to the analysis of experts, first, the quality of personnel sent by China to the international market is high on the whole in engineering, machine-building, and management of certain trades. There are also some things of distinctive Chinese characteristics that cannot be found in other parts of the world. The art of Chinese cooking is well-known worldwide and each of the eight major Chinese dishes has its specific characteristics. China's traditional martial arts, qigong, and acupuncture have also attracted worldwide attention. The export of labor in this regard will be of great significance to cultural exchanges between China and other countries.

Second, apart from the virtue of bearing hardships and standing hard work, intelligence, and eagerness to learn of the Chinese nation, the well-organized, high quality, and reliable Chinese laborers with consummate skill have also attracted overseas employers.

China can also export labor in groups. When they arrive at the work place, instead of working in a rush and getting into a muddle, each person attends to his own duties. On 18 October 1982, LE FIGARO-SELECTION HEBDOMADAIRE, a French magazine carried an article entitled "International Targets" which pointed out that the "Chinese are not low level ordinary workers, but a well-organized group of laborers. Once tasks are assigned, they start work according to their usual practice and fulfill the production quotas guaranteeing both quality and quantity." With such labor resources serving the clients of all countries through a special agency, the results will be like Hualong Company's motto: "The employers' businesses will definitely prosper."

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CSO: 4006/752

LABOR

ECONOMIC

BRIEFS

TU WORK CONFERENCE OPENS--A regional trade union work conference has called for energetically conducting education in safeguarding the motherland's unification and strengthening the unity of all nationalities among our region's workers and staff members of all nationalities. The conference has also called on workers and staff members throughout the region to conscientiously implement the spirit of the national work conference on enterprise reform and to actively plunge into the enterprise reform. The regional trade union work conference opened in Lhasa on 2 June. (Gazang Bubu), president of the Autonomous Regional Federation of Trade Unions, delivered a speech, entitled "actively plunge into the economic structural reform, give full play to the important role of our trade unions." It is estimated that the conference will last 6 days.

[Excerpts] [Lhasa Xizang Regional Service in Mandarin 1030 GMT 2 Jun 87 HK]
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QUNYAN DISCUSSES POPULATION STRATEGIES

HK030941 Beijing QUNYAN in Chinese No 4, 7 Apr 87 pp 19-20, 37

[Article by Tian Fang (3944 2455): "Strategic Consideration Should Be Given To Population Shift"]

[Text] 1. Population Shift Activities Are Indispensable in Rational Distribution of Productive Force

In recent years, we have made good progress in the study of rational distribution of productive force in China, in connection with the formulation of medium-term and long-term plans for China's national economy and social development and with the conception of overall planning and long-term development strategies for land. However, in the study of rational distribution of productive force, we have ignored how to rationally use labor force resources to bring about the best distribution of human resources. We have concentrated on treating family planning as our basic national policy, but paid less attention to studying the problem of rational distribution of labor force resources centering on population shift. Nor have we treated it as our basic national policy. Therefore, people feel our principle and policy on solving the problem of China's population are incomplete.

According to statistics, during the Sixth 5-Year Plan, China's population increased from 987.05 million in 1980 to 1.046 billion in 1985, an annual average increase rate of 11.67 per thousand. The natural population increase rate decreased by 16.71 per thousand as compared to 28.38 per thousand in 1965, the year of highest increase rate. This shows China has achieved marked results in family planning work. Of course, we should not lower our guard. The population survey statistics in 1982 indicate that there were 462 million people under the age of 19 that year, accounting for 46.2 percent of the country's total population. These young people will reach marriageable age one after another before the end of the century. According to experts' estimation, in the 10-odd years from now to the end of the century, there will be annually over 20 million babies born in the country. China's population will exceed 1.2 billion by the end of the century and may reach 1.24 or 1.25 billion. On the basis of 54.87 percent of China's rate of labor power (the proportion of people of working age in the total population), China's population of working age will reach some 680 million by the year 2000. Given an 80 percent participation rate of labor power, the actual working population will reach some 544 million. However, by

the end of 1984, the number of China's total social laborers, including staff and workers of all units owned by the whole people, staff and workers of all urban and rural collective-run units, urban individual laborers, and rural collective and individual laborers, was only 476 million. In other words, there will be 68 million more laborers by the year of 2000, which means more than 4.25 million laborers must be placed every year. Of course, in the 16 years until 2000, China will need a vast number of laborers to keep pace with its economic development and it can also place some surplus laborers in connection with the readjustment of the industrial and agricultural production structure and the development of tertiary industry. However, we must also take into account the possibility that some 30 million rural laborers will have no arable land to farm as a result of a sharp decrease in arable land. In these 10-odd years, as a result of the upgrading of scientific, technological and management level and the increasing of labor productivity, and especially the mechanization of agriculture, the surplus of rural laborers will increase greatly and far exceed and growth of labor force by natural increase. [as received]. Facts show that it is urgently necessary to seriously study the problem of how to rationally distribute labor force resources and to give scientific strategic consideration to the problem.

2. To Solve the Population Problem, We Must Not Only Understand the Relationship Between Hands and Mouths, but Must Also Adopt the Policy of Integrating Curbing with Shifting

China has a large population. We must make a practical and deep-going analysis and study of how to exploit the advantage of an abundant labor force and must make meticulous plans and arrangements. First, we must understand ideology and theory: laborers are not only consumers, but also producers. On the population issue, we must realize that every person has a mouth to consume, as well as two hands to create wealth. Over the past few years, we have corrected our previous mistake and treated family planning as our basic national policy, achieving marked results. However, we have not paid due attention to integrating the exploitation and utilization of natural and material resources with the rational distribution of labor resources so as to make overall planning and arrangements through population shift activities. In view of this, I suggest that in the future, while adhering to the basic national policy of family planning on a long-term basis, we must proceed from the objective demand of the law of circulation of planned commodity economy, and especially from the strategic demand of shifting our focus to developing China's western area in the next century, and must study the objective law of population shift activities. On the one hand, we must adopt the means of "curbing" our population centering on family planning, on the other hand, we must adopt the method of deconcentration centering on shifting population. "Integrating curbing with shifting" should become China's overall national policy on population.

3. The Practice Over the Past 30-odd Years Proves That There Is Great Potential in Population Shift Activities in China

Practice has proved that China's population shift activities have played an important role in its socialist economic construction, in promoting economic development in its remote and border areas, in [words missing] has great potential.

As far as international export of labor service is concerned, the large-scale "export of Chinese laborers" in old China's history was well known and the impact of economic prosperity in the two home areas of Overseas Chinese, namely, Guangdong and Fujian Provinces, is far-reaching. Over the past 2 years or so, China has exported more than 50,000 laborers for foreign labor service, with a transaction volume amounting to nearly 4 billion yuan. As seen from the practical situation of a strong demand for a great number of laborers on the international labor service market (about 20 million people are now dispatched to other countries in the world's labor service export), there is a bright prospect for China's foreign labor service cooperation cause. In particular, the international labor service market has not gone beyond project contracting and the demand for labor service in the tertiary industry is increasing with each passing day, accounting for nearly 70 percent of the total labor service demand. According to statistics of five countries including the Soviet Union, FRG, and Iraq, China exported more than 500,000 laborers to these countries in 1985. In addition to contracting for projects, there is a demand for various engineering and technological personnel, doctors, teachers, chefs, martial arts players, actors, vegetable growers, drivers, household servants, and odd-jobmen. In recent years, the Philippines and South Korea each exported more than 1 million laborers every year, and Pakistan exported some 3.21 million. With regard to solving the problem of employment of China's great number of surplus laborers, exporting labor to foreign countries is undoubtedly a good way.

As far as population shift between provinces and regions in the country is concerned, in the 30-odd years since the founding of the PRC, except for tens of thousands of youths being mobilized to support border construction in the early years after the liberation and tens of thousands of workers being transferred to the third line, China has built some 86,000 reservoirs, involving more than 10 million immigrants to the reservoir areas. During the "Cultural Revolution," more than 17 million educated urban youths went and worked in the countryside and mountain areas. As for the number of people who were voluntarily transferred from densely-populated provinces and cities to border provinces and regions, it is impossible to know the true figure. There are both successful and unsuccessful experiences. Generally speaking, the proportion of the current population in such border provinces and regions as Nei Mongol, Heilongjiang, and Xinjiang are as follows: More than one-third are original inhabitants, (including those who were transferred there from the interior areas before liberation); slightly over one-third are naturally increased population; and slightly less than one-third are mechanically increased population. According to statistics, from 1953 to 1979, Heilongjiang's population increased by 170 percent; Nei Mongol's population increased by 160 percent; and Xinjiang's population increased by 150 percent, all much higher than the national increase rate of 70 percent. A large proportion of the increased population are immigrants from densely-populated provinces and cities.

Along with the reform of the rural economic structure, the original agricultural production structure has begun to disintegrate and a large number of surplus rural laborers in the rural areas where the economy is relatively developed have been separated and transferred from the land. Except for some engaged in industrial and sideline production locally, many of them have moved to other provinces and regions. According to incomplete statistics in 1985 Zhejiang Province

exported some 1.3 million laborers to other areas, and Wenzhou City alone exported some 280,000 laborers. Providing their own grain ration, they set up beancurd shops, repair glasses, fluff cotton, breed bean sprouts, and make furniture in large and medium-cities such as Shanghai, Beijing, Urumqi, and Lanzhou. Building teams are especially welcomed by local residents and construction units. Along with the starting of the preparations for exploiting and developing China's western areas and in accordance with the demand set in the agricultural development plan of some western provinces and regions for building new areas of immigrants, the trend of these domestic immigrants moving from densely-populated eastern areas to western areas has become more and more striking.

The population shift between prefectures (autonomous prefectures), counties, and cities in a province or region is more striking. Because the uneven distribution of China's population is reflected not only in the difference between China's eastern and western areas, but also in the difference between densely-populated plain and river areas and sparsely-populated remote and mountainous areas within a province or region, the exploitation of new resources in the province, the improvement of transportation conditions, and the building of large and medium-sized water conservancy projects will inevitably cause a new population shift. In particular, the immigrants in reservoir areas resulting from the building of reservoirs and victims of disaster-stricken areas in a province or region must be moved and placed within the province or region. Even population shifts between districts and townships in a county are very popular. After the completion of Phase 1 of an electric irrigation project in Gansu Province's Jingtai County in 1975, more than 48,000 people moved from the country's high and dry mountain areas to areas around the irrigation project. As a result of population shifts over the past 10 years, some 300,000 mu waste beach land in the county seat Tiaoshan Town have now become fertile land, and row upon row of new villages for the immigrants have been built in the oasis area. These people have long got rid of poverty, with a per capital annual income of 500 yuan and per capita grain ration of more than 600 jin in 1985.

4. Put the Issue of Population Shift High on the State's Agenda

China has a large population and vast territory, and population distribution is very uneven. To meet the objective needs of the rational distribution of productive force and after summing up the practical experiences in immigration and emmigration work over the past 30-odd years, the problem of population shift has now become an urgent issue. In view of this, I hereby raise the following suggestions:

1. To officially set up and restore special administrative organs in charge of immigration and emigration work. The State Council should consider setting up a general immigration emigration bureau in charge of immigration and emigration inside and outside the country at one time, (in the early period after liberation, the State Council set up "the management bureau in charge of workers going abroad"). In addition, the Ministry of civil administration, the Ministry of Water Resources and Electric Power, the Ministry of Agriculture, Animal Husbandry, and Fisheries, the Ministry of Labor and Personnel, and other departments that are related to immigration and emigration work should consider setting up

administrative organs in charge of this work. (From soon after the liberation to the mid 1960s, there were immigration and emigration bureaus under the Ministry of Civil Administration, the Ministry of Water Resources and Electric Power, the Ministry of Reclamation, and other departments).

2. To study and sum up historical experiences in immigration and emigration work and to effectively and seriously solve the long-term problem of immigration and emigration left over by history.
3. To formulate overall plans for rational arrangement of labor force resources, in connection with rational distribution of productive force.
4. To study and formulate various laws, regulations, and policies concerning immigration and emigration work.
5. The CYL Central Committee, and the State Education Commission, and other departments must conduct political and ideological education on young students and the vast numbers of young laborers in population shift and give them vocational and technological training.
6. Social sciences and economics research institutes must list the population shift problem on their scientific research plans and provide administrative departments with the relevant information and consultation service.

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GUANGXI ISSUES CIRCULAR ON FAMILY PLANNING

HK120209 Napning Guangxi Regional Service in Mandarin 1030 GMT 11 Jun 87

[Text] The regional government issued a circular on 5 June on getting a serious and sound grasp of family planning work. The circular demanded that all localities do a good job in propaganda and education work to strictly control the birth of a second child not covered by the plan and put a stop to the practice of having more children than allowed by the plan.

The circular said: This year Guangxi has seriously implemented the spirit of the national and regional family planning work conferences, and a good momentum has continued to appear in family planning work. However, due to the weak foundation of this work in the region and the high base population figure, some places have failed to get a good grasp of the work this year, and there is still a serious incidence of births and pregnancies not allowed under the plans. The regional government has therefore decided that, before the busy summer harvest period, all localities should spend some time in getting a serious and sound grasp of family planning work in light of local conditions, to ensure the fulfillment of the region's population control plan for the year.

The circular says: The current focus in family planning work is on mobilizing women whose pregnancies are not covered by the plan to take remedial measures. Each case discovered must be mobilized to take remedial measures we will resolutely not allow women who should not have babies to give birth to them. We must strictly control the birth of a second child and put a stop to the practice of having more children. At the same time, we must get a good grasp of carrying out ligation surgery, inserting interuterine devices, and collecting tax on excessive sons and daughters.

We must pay attention to work methods and focus on propaganda and education. We must stress practical results. We must publicize the basic principle that a couple should have only one child, publicize good local people and deeds in practicing family planning, and integrate mobilizing the masses to implement contraceptive measures with helping them to eliminate worries and difficulties, extricate themselves from poverty, and get rich.

The circular demands that the government at all levels must strengthen leadership over family planning work, and provide careful guidance. We must teach the cadres at all levels to take the lead in practicing family planning, so as to play a model and exemplary role among the masses. We must also organize forces to stimulate family planning work.

JIANGXI GOVERNOR ADDRESSES FAMILY PLANNING MEETING

OWO40751 Nanchang Jiangxi Provincial Service in Mandarin 1000 GMT 2 Jun 87

[Excerpts] A provincial family planning conference opened in Nanchang today.

Liu Fangren, deputy secretary of the Jiangxi Provincial CPC Committee, chaired the conference. (Zheng Xing), deputy director of the provincial Family Planning Commission, made a report on the guidelines laid down by the recent National Family Planning Conference.

In his report on family planning work, Vice Governor (Chen Guizun) particularly stressed the need to conscientiously study, publicize, and implement these guidelines, to clearly understand family planning policy and strictly implement it, and to resolutely put an end to above-plan births.

(Chen Guizun) said: In family planning, a target-management responsibility system will be instituted at various levels throughout the province this year.

Governor Wu Guangzheng attended the conference. In connection with the guidelines laid down by the recent National Family Planning Conference, he discussed three questions:

1. Engaging in family planning, one must have a sense of urgency and responsibility. Wu Guanzheng said: Family planning is our basic national policy, a major matter which has a bearing on the prosperity of the Chinese nation, the success or failure of socialist modernization in our country, and the health of our posterity. The rate of population growth in our province is higher than the national average. The rapid population growth has affected the province's favorable conditions in grain production, and the per capita area under cultivation has continuously decreased. Thus, we must have a clear and comprehensive understanding of the serious situation in population facing the province and of the necessity and possibility of accomplishing the task of keeping population growth under control.

2. It is imperative to strictly implement the current birth policy. Wu Guanzheng said: the following problems generally exist in various parts of the province: Family planning policy is not implemented strictly and resolutely, and many couples in rural areas want to give birth to a second child--after having a baby girl, they want to have a baby boy. People engage in such wrong

practices because they fail to attach importance to family planning and hold that the present policy is not geared to actual circumstances and family planning is impossible. Whether or not fairly big progress can be made in Jiangxi's family planning work depends on whether or not the cadres at various levels, especially the leading cadres, conscientiously, comprehensively, and strictly implement the present birth policy.

3. It is necessary to strengthen leadership over family planning work. Wu Guanzheng pointed out: The party committees and governments at various levels should put family planning, a matter of great importance, as an important item on their agendas. They should often make investigation and study, conduct inspections, and solve problems whenever discovered in this regard.

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BRIEFS

SICHUAN TIGHTENS FAMILY PLANNING--Our station reporter (Deng Hongzhu) has learned from the Wanxian Prefecture family planning work conference which has just concluded that this prefecture has achieved good results this year from taking a strict and tight approach to family planning work. Having analyzed the reasons why the population plan last year was exceeded, this year the leaders at all levels in the prefecture have spontaneously assigned family planning work a still more important position on their agenda and have firmed up population plans for each level. While carrying out spring farming, fighting drought, and crash-reaping and sowing, the prefecture has persevered in simultaneously grasping the two kinds of production, and has thus initially reversed its passive situation. From January to April this year, the prefecture carried out 80,000 contraceptive operations. The number of people having more children than planned has declined compared with the same period last year.

[Text] [Changdu Sichuan Provincial Service in Mandarin 0000 GMT 9 Jun 87 HK]
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UPSWING IN RAILWAYS INDUSTRY URGED

1987 Goals

Beijing RENMIN TIEDAO in Chinese 13 Feb 87 p 4

[Article by the Political Department of the Rolling Stock Industrial Corp of the Ministry of Railways: "Unite, Struggle, Make the Grade, and Realized Certain Victory in the Next Battle: Work Hard at the Plan for an Upswing in the Industry in 1987"]

[Text] The year 1987 will be a key one for an upswing in the industry. Staff and workers throughout the industrial system should work ceaselessly and tirelessly, build upon the successes of the first push, and go forward to bring about an upswing. They must make even greater contributions toward putting into effect the output-related responsibility system and make real efforts on two fronts to bring about railway expansion and development of the national economy.

Marked Success in the First Push for Industrial Upswing

The party department of the ministry set forth strategic goals for the Seventh 5-Year Plan in 1986. The push for an industrial upswing was one of its top two priorities. It was clearly set forth that that renovation within the industry should be strengthened during the Seventh 5-Year Plan, and production capabilities and product quality should be upgraded extensively. We should replace equipment with upgraded technology with electrification and internal combustion as primary goals. We should be completely self-sufficient in rolling stock and be able to meet the demands for rail transport. This goal of our struggle has greatly motivated the system's 240,000 workers and brought about a strong cohesive spirit. The broad masses of staff and workers have exhibited a spirit of unselfishness and respect. They have united, cooperated, struggled, and fought side by side to make contributions to both material and spiritual civilization. Output in all aspects of production have increased in a comprehensive and balanced way, and targets set by central planning on nine major projects have been totally achieved. Manufacture of internal combustion and electric engines, freight and passenger cars have all surpassed production goals. Civilization units have been set up at 37 plant sites. At 29 sites, improvements in party habits have been realized or are fundamentally on the way to being realized. Of these, 14

factory sites have been the first in their locality to have units with basic improvements in party habits.

Goals for the 1987 Struggle for Industrial Upswing

Based upon the overall layout for development of the Seventh 5-Year Plan for railways and work deployments for this year as set by the party section of the ministry, five struggle goals have been set for this year's industrial upswing. 1) Overall completion of production planning targets. Stable increases in manufacture of internal combustion and electric engines must be preserved. Of these, 73 more internal combustion engines than last year must be built, for an increase of 23.4 percent. The figure for electric engines must show an increase of 20, or 16.7 percent; for passenger cars, an increase of 260, or 17.3 percent. The freight car figure should go up by 1,300, or 6.5 percent. Overall, a total of 3.7 million parts of various types need to be produced. 2) Technical transformation and investment plans should be fulfilled. This year, 22 large and mid-sized projects, 172 small-scale or individual jobs, and especially the priority "three engines and two passenger car" programs should be completed in accordance with planning requirements; and their future progress should be assured. 3) A batch of upgraded replacement products should be put into pilot production and evaluated. 4) The per worker production rate for the corporation as a whole should better an average of 12,000 yuan. Enterprise management should be strengthened across the board; and 20 percent of plants should achieve national grade two and ministry grade enterprise standards. 5) The quality of all product lines should show consistent improvement. Serious quality failures should be eliminated. Professional training for cadres and workers should show marked improvement along with the quality of staff and worker groups. Party and factory habits should reach a new high.

Primary Measures for Achieving Success in the Next Push

In order to realize the goal of this year's upswing in the industry, education in the four basic principles must be mastered. We must persevere in our reforms and in expanding capabilities. The guiding principle of simultaneously developing a materially and culturally advanced culture must be maintained. Ideological and political work must be bolstered. The enthusiasm and creativity of the broad masses of staff and workers must be fully mobilized. A spirit of public service and sacrifice must be fostered to meet challenges and transcend them. In this upswing, a morale which finds renewal and is keen upon success must emerge, along with a courage which fears no difficulty and waxes with every clash and a will to fight side by side and achieve the inevitable victory.

First, Furtherance of Ideological Training Must Intensify To Assure Success in the Next Push

Maintenance of training in the four basic principles and opposition to bourgeois liberalization must succeed. All units must show results in training of positive ideals, and organize cadres and workers to become conversant with the documents and speeches of the central leadership and Comrade Deng Xiaoping concerning maintenance of the four basic principles and

opposition against bourgeois liberalization. Right and wrong can be discerned through study and understanding unified to point up the fact that maintenance of the four basic principles and opposition to bourgeois liberalization has bearing on the fate of our party and the future of socialism as well as on the success of reforms and the opening up to the outside world. It should make it clear that maintenance of the four basic principles is one with reform and opening up to the outside world; one cannot exist without the other. It should make it clear that a political situation which supports and develops peaceful solidarity is the prime guarantor of any realization of the four modernizations, as well as a precondition of an upswing in industry. All levels of cadres and masses of party members should lead the way in observing party tenets and its disciplinary rules and serve as models in upholding peaceful solidarity and respect for laws and regulations. They should have a firm outlook and a bright banner as they stand in the forefront of opposition to bourgeois liberalization and should maintain a high level of unity with the central leadership of the party.

Education in ideals must be intensified. At the present time, a successful upswing in the industry is a concrete goal and step toward realizing a common ideal among the workers of the industrial system as a whole. Education in ideals is intimately connected with efforts to realize the goal of an industrial upswing and achieving the missions of the unit, with the professional caliber of each and every worker, and with the ideological reality of staff and workers. Diverse steps should be utilized to realize, revitalize, and stimulate the political fervor of staff and workers and to accentuate the management of relationships between long-term and immediate interests and between enterprise and individual interests. It should nurture feelings of autonomy and responsibility and make a contribution toward plans and policies for the upswing.

Improvements in professional morality, discipline, and responsibility must be adhered to. The professional morality of the industrial system is "nurtured by a purified heart and in service to higher quality." The crux is quality. The various sectors and offices should each formulate its own respective professional moral paragons. All staff and workers should strictly adhere to labor and workmanship discipline. Product quality should be a primary criterion in evaluating and selecting advanced units and recognizing units as civilized. A right of rejection due to quality should be implemented throughout the entire system; and should a major product quality failure occur, honorary recognition for advanced and civilized units should be canceled.

Second, Nurture a Spirit of Struggle in Adversity, Promote Increased Production With Conservation, and Enhance Income While Reducing Outlay

In this year's upswing, increased production with conservation and increased income with reduced outlay are major goals to be achieved. In recent years, ideology for struggle in adversity and building the nation through thrift and hard work have become attenuated among some sectors of cadres and workers. Extravagance and waste are extremely serious in some units. Education toward struggle in adversity is to be carried out for all staff and workers. Movements to develop increased production and conservation are to be started

among the masses, and should become a tremendous force for spurring production in improving operational management.

Production in the industry is facing a special problem this year: there is still a shortage of capital; raw materials are inadequate; and energy is in tight supply. Increased production and conservation, along with increased income and reduced outlays, should proceed first by lowering waste and lowering costs. If the amount of steel which ended up in a product could be increased by 1 percent, the amount of steel saved could build 400 freight cars. If every factory could match the Dalian plant in eliminating waste in manufacture of new freight cars, almost 10,000 tons of steel could be saved this year. We must be aware of what is going on, make our calculations carefully, adopt the most appropriate measures, plug leaks, strengthen basic work, strictly limit the amount of waste, strengthen inspections and accounting, and carry out economic activity analyses in a timely fashion. We must lower levels of waste and cost to historic minimums and to the most advanced standards of the industry.

In basic construction, nonproduction-related projects such as halls and hostelries must be reduced. Responsibility for funds must be assumed. Procedures must be strictly examined. The scale of basic construction must be controlled. Funds should be earmarked for production-related and key projects.

A strict counterpart to maintaining increased production and conservation is improvement in labor efficiency and an upgraded finished product rate, along with efforts to probe possibilities of increased production. Proposals for more rationality and for minor reforms and changes should be vigorously developed, as with such diverse conservation activities as "exceeding 100 points" or "saving 100 yuan." Nonproduction-related personnel should be reduced and the front line augmented. Outlays for nonproduction-related and management expenses should be reduced; and extravagances and waste such as ostentation and lavishness should be firmly opposed. From now on, all functions, plant openings, and ribbon cuttings which have not received prior approval are not to take place.

Third, Overall Concepts Are To Be Established and Unity and Cooperation Strengthened

The railway industry, as outfitter of railway transport, is an organic component of transportation as a whole. Attention should be paid not only to economic returns, but also to social benefits and industry's contribution to expansion of capabilities. When considering problems and conducting research, all plant sites should first consider the overall picture for the railroad and put its efforts into expanding capabilities and service to transportation as the focus and starting point for its application, considering what transportation should consider and concerned with what transportation needs. It should be gladly willing to sacrifice its own partial and immediate interests to meet the needs of expanding capabilities, doing what is in its own interests, what is slightly in its own interests, and what is useless to its own interests. There should be cooperation between units and mutual support, as well as exchange of technology, parts, and materiel for mutual

assistance. Strengthening of solidarity and cooperation, along with establishment of an overall picture, should be an important part of how enterprises are compared and how leading cadres at plant sites are inspected.

Fourth, Strengthen Technological Transformation and Promote Upgraded Replacement of Products

This year will witness the largest investment of capital in the nation's history. With the fiscal outlay situation in an extremely tight position, the amount of investment going to the industry is just 10 percent of that for the whole railway; and this has manifested itself in major concern, support, and attention by the ministry's political section for the engine and railcar industry. All units must do their best in managing and utilizing this investment, pay attention to close accounting, and establish clear priorities. They should pay attention to construction, assure quality, attend to manufacturing, and bring together capabilities as rapidly as possible.

An important part of technological transformation is the importation of technology. The seven technical import projects which were made part of national priorities are this year to involve the installation of manufacturing. Special attention should be paid to accelerating the pace of its assimilation, absorption, and transition to national production. Eight key trial manufactures and tests for the first project for internal combustion engines and contracts for the needed imported technology are to be undertaken this year. Design is to be completed for the fourth version of "East Wind" for the second internal combustion project, along with preparations for a trial run. The work of overseas training for personnel is also to take place.

Transformation of older products, development of newer products, and accelerated upgrading of products by replacement must continue. S&T personnel and workers must organize for development of teams to tackle technology. They must assure that key technological plans are implemented. They should assess those new products which have undergone trial manufacture, specify models and turn them into production. Through these endeavors, China should reach the international standards of the early 1980's for engines and rail cars.

Fifth, Strive To Upgrade Product Quality and Affirmatively Expand Production of Export Products

Product quality has a direct relation to realization of expanded capabilities and ensuring transportation safety. Great strides should be taken this year to control product quality. In the face of last year's quality failures, priority should be placed upon the quality of the running parts of engines and railcars which relate to the safety of their travel. Systems for ensuring quality should be made sound. Quality control must be strengthened overall. New technology, workmanship, equipment, and materials should be vigorously utilized. Efforts should be organized toward the implementation of quality initiatives for chronic failures. All sectors should establish and perfect a quality responsibility system, conduct strict quality inspections, industrial discipline, a consciousness for product quality so that inferior products are not allowed out of the workline, the shop, or the factory.

In the course of ensuring production plans and satisfying the transport needs of the railways, the rather considerable strengths of the industry's technical strengths should be fully activated. Production of export products should be expanded affirmatively. An eye should be turned to the international market, and plans and designs for production of export products envisioned. International standards should be studied and attained. Industrial technology necessities which meet international demands should be formulated. The capability of products to compete should be enhanced. Diverse types, avenues, and strategies should be utilized to put engines and railcars on the international market.

Sixth, Master Reform and Comprehensively Implement the Factory Head Responsibility System

Assignments for the industrial system this year in implementation of the outline of the ministry's party section have been done by adopting a policy of small steps and microadjustments. All plant sites must come to grips with reality, intensify reform, and perfect the output-related responsibility system. According to the "Three Provisions" of the central leadership, the factory head responsibility system is to be comprehensively implemented. The role of the party section and workers' representative organization of the enterprise should be fully activated. Internal reforms within the enterprise should be done well. Modern management should be implemented. Management levels within the firm should be upgraded, along with work efficiency and economic return. The overall quality of the leadership group of the enterprise should be continually improved. Effective measures should be adopted to bring about improved professional training for cadres and workers. All levels of cadres should show a turnabout in work habits, a strengthening of party nature, a personal commitment to rules, adherence to principles, willingness to assume responsibility, expending of real effort, voicing of real opinions, management of real affairs, and an eye to real results. They should take the lead in rectifying models of party behavior and in establishing a materially and culturally advanced society. They should lead staff and workers to take up a common pace, join forces to assure an upswing in the industry this year, and struggle to achieve victory in the next push.

Photo Captions

Beijing RENMIN TIEDAO in Chinese 13 Feb 87 p 4

[PHOTO CAPTIONS; PHOTOS NOT REPRODUCED] (1) Qishiyan Engine Car Factory focuses on a successful industrial upswing and holds firm to the service of expanding capabilities. At the same time as it was fulfilling its 1986 building quotas, it also built seven East Wind Model 8 high power internal combustion train engines sorely needed for rail transport. This year, they will build 12 more. The photo shows the engine being lowered onto the chassis.

(2) The Zhuzhou car factory has implemented the factory head responsibility system. Factory head Zhang Yannan stresses use of modern management methods to upgrade product quality and often goes into key shops and key positions to

check on the quality control situation. This is Comrade Zhang on 26 Jan in the Fenggang ship checking on the quality control card for a casting of a suspension chassis.

(3) The Zhuzhou electric enging Factory has had yearly increases in carrying forward the industrial upswing. Products are continually renewed. This year's quota was up 16.7 percent from last year. All the workers in the factory have struggled together to make even more electric engines for railway transport. This photo shows workers in the main assembly shop putting together a Model Shaoshan 4.

(4) In the course of the industrial upswing, the Luoyang factory set up a high quality method and adopted an "integrated inspection and delivery" throughout the process of manufacture for quality control, upgrading the quality of the factory's [0208 5544] cars and coming up with first place two years in a row in the engine sector's overall points in a sample check.

(5) The Sifang engine and railcar factory has conscientiously implemented the spirit of the All-Railroad Industry Working Committee. All the workers in the factory are determined to uphold a spirit of unselfishness and sacrifice, joined in struggle, taken the load up the grade, set their hearts on their building, and forthrightly fulfilled this years assigned tasks to bring about new contributions to the industrial upswing. This photo is of engineering and technical personnel checking out a diesel engine.

(6) The Tangshan Engine and Railcar Factory cadres and workers are making the grade in this years industrial upswing and taken on heavy duties. They have maintained production in an outdated factory while moving to a new one to produce passenger cars. This photo shows passenger car workers busily engaged in work of the "grand opening" in January.

(7) The Tianjin Engine and Rail Car Factory takes care of spiritual civilization as well as material civilization, and has striven to upgrade the technical and cultural quality of catres. This photo shows an outstanding teacher of workers Liang Guodong asking his students a difficult question in class.

(8) The broad mass of cadres and workers in the Jiang'an railcar Factory have abided by the policies of opening up and revitalization. While ensuring that their quotas were met for freight car repairs, they broadened their activities and engaged in diversified operations to produce export revenue-producing products: the Chaoli brand JG3040 Model 40 Ft container tractor. Once this product reached the Hong Kong market, it was well received by foreign businessmen. This shows engineers and technical personnel engaged in the final inspection of on of the tractors as it leaves the factory.

(9) The Zhuzhou Electric Engine Research Institute upholds its research in service of production. In recent years, 32 S&T innovations have reached the Ministry level for appraisal. Thirty four have achieved Institute level appraisal. This photo is of a modern testing apparatus made by the institute for the Railroad Ministry for a testing station to check the quality of electric to supervise the testing of towing equipment: "Computer Test Data Online Analysis System". This system uses R.BASIC real-time language to develop over 20 application programs used in the testing of tractors, electrical equipment, and circuits, and is at an advanced level for China.

RAILWAY CONTRACT REFORMS INTENSIFIED

Beijing RENMIN TIEDAO in Chinese 27 Mar 87 p 1

[Commentary: "Major Ways To Intensify Railway Reform"]

[Text] When discussing ideas for 1987's railway reform at the railway transportation working conference in December 1986, Comrade Ding Guang'gen [0002 7070 2704] pointed out that 1987's fine tuning and half steps will not be mere repetition or simple quantitative changes, but will consist of reform, growth, and new ideas. Today, 3 months later, the Ministry of Railways has approved the implementation by the Guangzhou Railway Bureau of an overall economic contract plan that includes capital construction investment. This will be a major way to carry out 1987's railway reform policy and intensify the output-related contract system. It will be a powerful inspiration for the staff members and workers throughout the railway industry to persist in reform, push on in the flush of victory, and confidently strive to win another victory in the second year of the Seventh 5-Year Plan.

If the State Council approval of the implementation by the Ministry of Railways of the output-related economic contract responsibility system shows that China's railways have entered a new stage of management and administration, the Ministry of Railways approval of the implementation by the Guangzhou Railway Bureau of an overall economic contract plan indicates a new breakthrough for the contract form within the railway industry. Its newness lies in the fact that it will enable railway contracting to change from a single to a diversified form. It also shows that further improvements have been made in our ability to reform the contract system on our own. It is altogether reasonable to say that the railway contract system is being steadily and solidly intensified.

It should be especially pointed out that the Guangzhou Railway Bureau will carry out its overall economic contract plan according to the pattern of overall contracts, each contract being for 4 years, spending for immediate income, and turning over to the higher authorities at a fixed rate. The plan will set an example in both upholding the four basic principles and building the material and spiritual civilizations, be clearly defined, express well the correct integration of the two basic lines since the 3d Plenum of the 11th CPC Central Committee, and reflect the distinct

characteristics of China's socialist railway system. In carrying out contracts in 1987 and from now on, we will try out various other contract forms. But regardless how complicated the "one line, many forms" system becomes, the distinct characteristics of China's socialist railway system must not be abandoned, and our firm and correct political orientation must not waver. This is the basic principle that we must by no means ever forget.

The Guangzhou Railway Bureau's overall contract plan is in line with the guiding ideology of sharing the risks, vying for the hardest jobs, making more contributions, and exploring new routes. This bold pioneering spirit is very valuable. But it should also be understood that carrying out the overall contract plan will also be a particularly severe test for the Guangzhou Railway Bureau's staff members and workers. They have not only contracted quite large average annual increases in transport duties, transport income, and accumulated funds to be turned over to the higher authorities, but have also contracted renewal, transformation, and overhaul duties, capital construction and transportation capacities, and increased engine and passenger car purchases. Compared to other railway bureaus, they undoubtedly face harder jobs and greater risks. Many unexpected conditions may arise in the contract period to increase the risks and difficulties in fulfilling their contract duties. Sober and full estimates should be made of these conditions. We are absolutely convinced that the Guangzhou Railway Bureau's 140,000 staff members and workers will definitely be able to always put the interests of the state, the people, and the society first and, through their own arduous efforts, fully use the advantages of the overall contract plan, continue to develop their energies, provide a new basis for overall economic contract plans for the whole railway system, and make new contributions to speeding up railway growth.

The Guangzhou Railway Bureau's implementation of the overall contract plan is not simply its own affair. The staff members and workers in the whole railway system should all be enthusiastic about and fully support their reforms, and continue to derive useful nourishment from their explorations. "When 1 horse takes the lead, 10,000 others will go galloping ahead." The Guangzhou Railway Bureau's carrying out of the overall contract plan will set off a new wave for the second year of railway contract work. The staff members and workers in all lines throughout the railway system will all have to better develop their initiative, enthusiasm, and creativity, and intensify and improve their own reforms. In this way, 1987's battle will certainly set off a high tide of emulation and ensure new victories.

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CSO: 4006/629

GREAT STRIDES IN DALIAN SHIPBUILDING REPORTED

Beijing GUOJI SHANGBAO in Chinese 21 Apr 87 p 1

[Article by Hou Yu [0186 3768] and Mao Jianhua [3029 1696 5478]: "The Dalian Shipyard Has Taken the Lead in Developing the Shipbuilding Industry; It Is Competitive With the World's Best Shipyards, and Has Developed 17 New Top-Quality Shipping Products in the Past Decade"]

[Text] In the past decade, China's major shipping industry base, the Dalian Shipyard, has built a tonnage of 10,000-ton ships equal to that of the preceding 19 years, and pioneered 17 new shipping products, or over twice as many as in the preceding 21 years. Of these, nine new shipping products, such as 27,000-ton bulk freighters, 100-foot drilling platforms, 13,600-hp deep-sea tugs, and 12,300-ton container ships, have won awards for excellence from both the state and the China State Shipbuilding Corp.

The Dalian Shipyard has signed contracts for, built, and delivered to Norway 115,000-ton shuttle tankers and 69,000-ton chemical and finished-product tankers. A senior Norwegian ship inspector praised them, saying that the construction quality of these two types of tankers represents the highest current standards for large tankers, and shows that China's shipbuilding standards are competitive with those of the world's best shipbuilding enterprises.

Since the late 1950's, the Dalian Shipyard has built new shipping products, such as China's first 10,000-ton freighter, our first 10,000-ton tanker, and our first drilling platform. In the past decade, it has made still greater progress.

First, it has grown from building ships for domestic use to mass-producing high-quality ships for export. In order to adapt to the new circumstances of building ships for export, it has aroused its cadres, staff members, and workers to tackle key technical problems and carry out technological transformation. It has transformed and adopted 4,200 new techniques and technologies, and solved 450 major technical and quality problems in such areas as special paints, satellite navigation, automated debugging, and dynamic automatic position-fixing. Since 1980, it has signed contracts with foreign businessmen to build 630,000 tons of ships for

export. It has now delivered 413,000 tons, earned \$160 million in foreign exchange, and holds first place in China's shipbuilding industry.

Second, its products have grown from freighters and tankers to a variety of first-class ships, such as container ships, production models, and finished product tankers. Before 1976, except for having built three 10,000-ton freighters, it mainly mass-produced 15,000-ton and 24,000-ton tankers. In the past decade, after carrying out the product renewal and exchange stipulated by the Ministry of Communications for the Sixth 5-Year Plan, it built its first lot of six container ships, and contracted to export two 100-foot large-base triangular drilling platforms to the United States. Then it advanced to the new field of maritime development engineering, finishing the complex and difficult job of building production models for maritime oil extraction, and even building 69,000-ton chemical and finished-product tankers, which only a few countries in the world are now able to build.

Third, it has begun to build larger and more specialized and modern ships. Proceeding from actual conditions, it built China's first 100,000-ton tiered semigraving dock in the new Xianglujiao zone. Then it built a 100,000-ton tiered loading dock and China's biggest 580-ton crane with a corresponding conveyance system, laying the foundation to build larger ships. In the midst of intense international market competition, the Dalian Shipyard has relied on its reputation and strength, boldly overcome strong competitors, won glory for China, obtained orders from Norway to build 115,000-ton and 118,000-ton shuttle tankers, and taken a new step in aligning China's shipbuilding industry with world markets.

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BANK OFFICIAL INTERVIEWED ON RURAL FINANCIAL REFORM

Beijing NONGMIN RIBAO in Chinese 14 Apr 87 p 1

[Interview with an unnamed official at the central branch of the Agricultural Bank of China; date, place, and interviewer not given: "Accelerate the Pace of Reform, Open Up Rural Financial Markets: An Official at the central branch of the Agricultural Bank of China Responds to a NONGMIN RIBAO Reporter's Questions on Reforming the Rural Financial System in 1987 and 1988"]

[Text] What goals do we want to achieve in the rural financial system in 1987 and 1988? What is the major substance of the reforms that will take place in the Agricultural Bank and the credit cooperatives? A NONGMIN RIBAO reporter interviewed an official of the Agricultural Bank on these questions and is indebted to him for the following responses.

Question: What are the goals of reform in the rural financial system?

Answer: At the beginning of 1987 the central branch of the Agricultural Bank issued a plan for reforming the rural financial structure in 1987 and 1988. The Agricultural Bank's objectives are as follows: we gradually wish to run the bank as a real financial enterprise, emphasize service to the state-run economy and the middle and higher levels of the cooperative economy in the countryside, support township enterprises in conducting technological remodelling, promote the development of natural resources in the countryside, and play a guiding role in rural finance. For the credit cooperatives, the goals of reform are to run the cooperatives in a manner that will make rural households and cooperative economic organizations willing to become shareholders; to offer services to cooperative members who are developing commodity production; to be democratically managed by cooperative members; and to institute a cooperative financial organization under a collective system of ownership in which management, accounting, responsibility for profits and losses, and risks are all assumed individually and independently.

Question: What is the major substance of reforms that will take place in the Agricultural Bank and the credit cooperatives in 1987 and 1988?

Answer: In order to achieve the above goals, this year and next year the Agricultural Bank must institute the following series of reforms: The financial enterprise function of the Agricultural Bank must be separated from

financial administration and management, and in terms of operational self-determination, the many county (and municipal) subbranches of the bank must primarily have the authority to utilize funds, float interest rates, follow their own initiative on credit policies, and manage their own personnel. The majority of newly added credit funds should go principally to county (and municipal) subbranches. Based on financial capacity and local needs, banks at the county level have the authority to expand the scope of services; develop a moderate degree of competition; grant loans on their own initiative according to their authority to examine and approve them; and bear the credit responsibilities and risks.

The major substance of credit cooperative reform is to have a free hand in expanding share capital and to integrate the interests of shareholding members with the business achievements of credit cooperative. Credit cooperative accumulations are the collective property of cooperative members, and after sum of share capital is expanded we can share out the extra dividends, but we cannot guarantee the interest. Profits and risks alike will be shared. Given that they provide adequate credit services for shareholding members, credit cooperatives can also make loans to nonmembers and grant credit in association with the Agricultural Bank. Where conditions exist, credit cooperatives can also run trust, leasing, insurance, and advisory businesses on a proxy or experimental basis. Examination and approval of credit extended by credit cooperatives is divided into progressive levels from the credit cooperative members to the united county cooperatives. Based on the state's policy on interest rates, the united county cooperatives work out the method of floating interest rates for local credit cooperative deposits and loans. According to the law, grassroots-level credit cooperatives can act with reference to the flexible float of market interest rates. We also need to establish and safeguard a democratic management system for credit cooperatives. The Credit Cooperative Members' Representative Assembly must truly become an organ of credit cooperative power.

Question: In order to promote the development of reform in the rural financial system, on what fronts must we open rural financial markets?

Answer: The primary area in which we must open up rural financial markets is in developing monetary borrowing and lending. In line with the principle of organizing internal affairs first and external affairs later, the Agricultural Bank and the credit cooperatives at all levels can participate in monetary borrowing and lending at different administrative levels and on different scales. Banks at higher levels may not interfere with the total sum, time limit, or interest rate for money borrowed or lent: the two parties involved can decide these matters on their own. Banks and credit cooperatives can arrange a comprehensive financial market having a fixed place and a fixed time to be open for business, and they can also organize an indefinite date for a trade fair.

We must work vigorously to open up a note market. In order to ensure that commercial credit grows vigorously and is integrated with bank credit, we should promote commercial notes. In 1987 the branch banks in each province, autonomous region, and centrally administered municipality should at the very least select one municipal subbranch in which to promote commercial notes and

launch businesses to discount commercial notes. They should gradually increase the proportion of note discounting and note mortgage loans in the total quantity of credit extended.

We should set up a safe negotiable securities market on a trial basis. We must gradually guide rural social fund-raising toward negotiable securities and encourage and help enterprises to adopt stocks and bonds in their fund-raising efforts. In areas where township enterprises are well developed and social fund-raising is brisk, banks and their associated trust and investment companies can establish special counters on behalf of enterprises that bring good results or have high prestige. They can represent these enterprises by issuing stocks and bonds that conform to market conditions and organizing the transfer of negotiable securities. They should also actively regulate and unclog the free credit market.

12510

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SUPPLY, MARKETING COOPERATIVES EMPHASIZE SERVICE TO PEASANTS

Nanjing XINHUA RIBAO in Chinese 17 Mar 87 p 1

[Article by Xu Zhen [1776 4176] and Yang Boren [2799 0130 0088]: "Province's Supply and Marketing Cooperatives Actively Promote Development of Rural Commodity Economy; Pervasive Reforms To Improve Service"]

[Text] During 1986, Jiangsu Province's supply and marketing cooperative system further shifted the focus of reforms to the development of rural commodity production services, improving service, expanding operations, and improving management, thereby accelerating improvement of economic results. During 1986, supply and marketing cooperatives throughout the province realized profits of 327 million yuan, up 5.7 percent from 1985. They paid 312 million yuan in taxes, up 7.54 percent from 1985.

Increased Seriation of Services and Enhancement of Agriculture's Reserve Strength, Eagerness To Meet the Needs of Agricultural Production Through Vigorous Organization of the Supply of Materials Used in Agriculture: During 1985 when chemical fertilizer was in seriously short supply, supply and marketing cooperatives in all areas sent large numbers of personnel all over the country to get hold of more than 700,000 tons of chemical fertilizer. As a result, the amount available for the province as a whole reached more than 6.6 million tons, or 23 percent more than in 1985, an annual all-time high for the province. Supplies of other items such as agricultural pesticides and medium and small farm implements also increased to a certain extent. Service was also improved steadily in funds, technology, and information. In 1986, supply and marketing cooperatives in all jurisdictions issued 30.09 million yuan in funds to sustain production, and they also ran short training courses and discussion groups, prepared and printed materials, and provided technical consultations, disseminating knowledge and skills in many fields to the peasants. Supply and marketing cooperatives at the provincial, municipal, county, and township levels established information networks, and fielded a nearly 1,000-man information corps that used various means to provide peasants with 52,000 copies of production and market information.

Widening of the Procurement and Preprocessing of Agricultural and Sideline Products To Promote Development of Rural Commodity Production: During 1986, 1.48 billion yuan worth of agricultural and sideline products were purchased. This was 33.8 percent more than during 1985. The number of varieties rose from

the former between 60 and 70 to nearly 100, solving pretty well peasant problems with "difficulty in selling." During 1986, all jurisdictions actively assisted the peasants in selling 310 million kg of two-row barley and miscellaneous grains other than wheat and rice. This was a nearly threefold increase over amounts sold in 1984 and an increase in peasant income of .08 yuan per kg for a profit increase of more than 24 million yuan. Quite a few supply and marketing cooperatives instituted a commission sales system for dealings in agricultural and sideline products, turning over profits to the peasants. The Huashi Supply and Marketing Cooperative in Jiangyin County bought at a tentative price 14,300 kg of rabbit fur that peasants had found difficult to sell. Ultimately, it sold the rabbit fur at the international market price and made a final settlement with the peasants, the supply and marketing cooperative earning only a small handling fee, the peasants thereby earning an additional 5 yuan per 500 grams. Supply and marketing cooperatives additionally widened avenues for development of local resources and for increasing their value through processing. Currently, the whole supply and marketing system owns 23 large processing industries for ginning cotton and the processing of down, leather, and discarded materials, more than 3,000 factories, and nearly 10,000 different kinds of products having an annual output value of 1.55 billion yuan. The Xinghua County Supply and Marketing Cooperative conducts procurement, processing, and sales services "in one continuous line." In 1986 it returned to the peasants 3.89 million yuan in profits from cotton ginning, down plucking, and oil pressing, thereby very greatly increasing cotton growers enthusiasm for growing cotton.

9432
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CAUTIOUS REFORM URGED IN GRAIN MANAGEMENT SYSTEM

Beijing JINGJIXUE ZHOUBAO in Chinese 1 Mar 87 p 3

[Article by Ren Zhen [0117 4176] under the rubric "Theory and Practice": "Reform in the Grain Management System Should Be Undertaken Cautiously"]

[Text] Grain is the "treasure of treasures"; the fundamental staff of life for mankind. "Without grain, life is unstable and disorder prevails," and "When we have grain on hand we can rest easy"--these sayings amply illustrate the importance of the grain issue. A huge nation such as China, with its population of 1 billion, should attach greater importance to the question of grain production and be more careful in undertaking reform in the grain management system because the grain issue has a decisive impact on the overall development of reform and construction. Comrade Deng Xiaoping once pointed out that "Agriculture is primarily a question of grain production. If there is one complication in agriculture, it will be felt for 3 to 5 years or more." If a major unexpected turn takes place in grain production, it will present a serious problem and inevitably affect the course of overall economic reform. We must attach sufficient importance to this possibility.

At the beginning of 1985 China's grain procurement policy was changed from the original system of monopoly procurement to a combination of contractual procurement quotas and negotiated procurement. This aroused enthusiasm for grain production among the vast farming population and produced obvious results. Now some comrades advocate rapid commercialization of grain production and complete abolition of the policy of monopoly grain procurement and marketing. I believe that in the long term we should definitely abolish the policy of monopoly grain procurement and marketing and truly achieve commercialized grain production. However, from the current perspective, these sorts of conditions still do not obtain, and we can only institute reform gradually. The price issue is the key question affecting reform in the economic system. In readjusting grain prices we must be especially cautious.

In the first place, if we abruptly and completely deregulate grain prices now, before various prices are reorganized, we will surely touch off major price fluctuations. It is very possible that grain prices will rise precipitously and inspire general price increases on other goods, making it hard to carry out overall economic reform step by step in a planned fashion. If grain prices do not rise, the function of the law of value may lead peasants to

abandon grain cultivation and turn to other occupations, thus affecting grain production. This would be a serious problem. How can we settle the issue of grain production? Where can we buy our grain? How will we ship it? These are all vital questions. The suffering that people experienced due to grain scarcity during the 3 difficult years from 1959 to 1961 remains fresh in everyone's memory. We must never forget the lessons of this period in history.

In the second place, a jump in grain prices will be sure to make people anxious and adversely affect reform. For many years now the price of grain in China has been relatively stable, and this has helped create a state of harmony and unity. If grain prices fluctuate widely within a short period of time, the result will be more than people can bear and the state of harmony and unity will be shattered. We absolutely cannot treat this lightly.

Consequently, I propose the following suggestions for reforming the grain procurement and marketing system:

1. We should gradually cut down the volume of contract procurement quotas and monopoly marketing. We should gradually reduce the volume of grain the state procures through contract procurement quotas, permit all non-quota grain to be marketed freely, and institute procurement through negotiated prices. In this way we can increase peasant income. The inevitable result of reducing contract procurement quotas will be a drop in the volume of monopoly marketing, but it is estimated that this will not have a major effect. Right now, because of the improved standard of living and the proliferation of non-staple foods, most people have plenty of food coupons, and it is both possible and advisable for us to reduce them appropriately.

2. We should put the "three linkages" into effect: the linkages between contracted grain procurement quotas and supplies of chemical fertilizer, supplies of diesel fuel, and forward purchasing deposits, so that farmers benefit more. Previously, in some places grain contract procurement quotas were made exclusively a peasant responsibility. This idea and method is worth studying. We certainly should see to it that the system of contract procurement quotas is progressively perfected, and we should truly ensure that the two contracting parties are on an equal footing and will each benefit. This will make peasants happy to sign contracts with the state.

3. We should increase the state's investment in agricultural production. Damages over the past few years have been quite severe and agriculture has been stripped of its reserve strength because the state's investment in agriculture has declined year after year and capital construction on farmland has been poorly managed. This is a problem that deserves serious attention. If we are to increase grain production we must first enact policies to arouse peasant enthusiasm for production, and then we must increase material inputs and improve the conditions of agricultural production. In the past few years, the power of our policies has achieved successive bumper grain harvests, but hereafter it will not be enough to rely only on policy. It has become a matter of the utmost urgency that we actively increase our investment in agricultural production.

4. We should "use industry to subsidize agriculture" and resolve the excessive income disparity between industrial and farm workers. In particular, in some economically developed regions, where township enterprises have developed rather quickly and have established a certain economic foundation, we can "use industry to subsidize agriculture" and appropriately adjust the income levels of industrial and farm workers.

5. We should gradually readjust grain prices and ensure that grain producers can also reap average profits. This will not only sustain simple reproduction, it will also expand reproduction. This is the fundamental principle behind the development of a commodity economy. Only if all production sectors reap appropriate average profits can they continue to develop, and if not, they will inevitably atrophy. Grain production is also like this. We should make gradual improvements in this direction.

12510

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ARTICLE ON READJUSTING GRAIN PRICES

Beijing JINGJIXUE ZHOUBAO in Chinese 1 Mar 87 p 3

[Article by Yang Yenzhong [2799 3601 0022]: "My View on Readjusting Grain Prices"]

[Text] If we wish to develop a commodity economy, we must achieve commodity exchange based on the principle of the exchange of equal values. If grain is to be a commodity, it should be a part of the torrent of many other commodities, and we should readjust its prices. The state plan can only play a role in clearing channels and making adjustments.

I believe that pricing for grain under procurement quotas should take the market price as its reference point. To this end, there are three options open for procurement pricing: The first is to make the price equal to the market price, the second is to make the price slightly lower than the market price, and the third is to make the price slightly higher than the market price. I endorse the third option. Specifically, this means that a price slightly higher than the average market price in the preceding grain year would become the procurement price for the following grain year. Because the market price varies from place to place, prices for grain under procurement quotas could also differ from place to place. In reality as well as in name, this kind of procurement pricing amounts to preferential pricing, from which farmers can reap greater material benefits. As far as the state is concerned, naturally it will spend somewhat more money to purchase grain, but I can guarantee that grain production in China will experience stable growth as demand increases, and this will be conducive to healthy development in the overall national economy. We should balance accounts in this area: if we do not set aside enough money now we will have to set aside even more when the grain supply drops by a large margin sometime in the future. Of course, if it is possible for us not to spend more money, if we can stabilize the state's financial burden, and if the state's price subsidy to grain departments dealing in grain oil can be stabilized at the 1984 level, then that would be fine indeed. There exists a means to accomplish this. The state can consider adopting one or more of the following methods: 1) Continue to decrease the amount of grain contracted under procurement quotas and limit the volume to about 1 billion jin. 2) Make appropriate reductions in the standard for supplies of grain ration for urban residents. 3) Completely deregulate grain prices except on grain needed to feed armed forces personnel. 4) Suitably

increase the price of grain marketed under the state monopoly and ensure that grain selling prices and procurement prices increase in step with each other.

If we set the grain procurement price slightly higher than the average market price, will we cause another wave of grain price increases? It is possible that we will. I believe that this will be a temporary phenomenon. Based on patterns in the commodity economy, when the demand for goods exceeds the supply of goods, prices rise. This stimulates production and may lead to supplies in excess of demand. When the supply of goods exceeds the demand for goods, prices fall, and this restricts production and may lead to a shortage of commodities to meet demand. Market prices exist in a state of cyclical, dynamic change, so we need not worry about whether grain prices will rise one after another. Didn't prices of non-staple foods drop not long after they were deregulated? The danger of the question is just that a rigid pricing policy may lead to shrinking production and higher prices. Some people have predicted that if grain production shrinks, then it is possible that one day grain prices will rise again and again until they reach 1 yuan per jin. This is not an exaggeration just to scare people--it is entirely possible. Right now cultivated land area (primarily grain land) is declining sharply, essentially because grain cultivation does not bring high benefits. Isn't this enough to be of serious concern to us? We have another kind of worry as well: "Grain is the basis of commodity prices," and rising grain prices may precipitate increases in other commodity prices. This worry is also unnecessary because current market prices have not been based on grain prices for a long time. When grain prices, particularly selling prices, essentially do not change, a rise in grain procurement prices cannot create a major upset for other commodity prices. Just the opposite: this is a major factor in ensuring that grain prices and other commodity prices maintain an appropriate proportional relationship, and it is important for avoiding "harm to agriculture due to cheap grain," as well as for aiding coordinated development in the overall national economy.

When we increase the grain procurement price we must prevent farmers from blindly expanding grain production, weakening the development of the diversified economy, and moving from one extreme to another. Since we have "procurement quotas," it is unacceptable to grow either too little or too much grain. We must handle matters strictly according to contract requirements. The state cannot bring trouble upon itself by allowing "unlimited procurement" again in order to resolve farmers' "grain-selling problems."

Would it be acceptable to adopt the first option, that is, to make the procurement price the same as the average market price for grain in the preceding grain year? If we do this, I'm afraid farmers will not sign contracts with the state. Peasants will sell grain only when they need money, and even then they won't necessarily sell it to the state. Consequently, we must make procurement prices attractive: if prices are attractive, our job will have a greater driving force. Of course, we can continue to maintain the linkage between grain procurement and supplies of chemical fertilizer and diesel fuel, but this is not much different from making the procurement price slightly higher than the market price. Besides which, if we change things so drastically in one fell swoop, we will have a great deal of trouble implementing the program. As for making procurement prices somewhat lower

than average market prices, under most circumstances this will do nothing to arouse peasant enthusiasm for grain cultivation, and it is inadvisable.

Grain allocation and transfer work is also in need of reform. Right now our grain-exporting regions are unwilling to ship out more grain, and our grain-importing regions are hoping to ship in more grain. Grain exporting regions are not enthusiastic about shipping grain primarily because they believe the more they ship out the more losses they will suffer. The plan to increase the portion of the transfer fee devoted to management and administrative expenses will be no help to regional economic development. Consequently, I suggest that the state change its current method of grain allocation from centralized allocation to compensatory allocation. The main thrust of this proposal is to decrease intervention by the central authorities and administration, promote lateral economic cooperation and coordination between grain importing regions and grain exporting regions, and make the best use of each region's advantages in natural resources, economy, and technology. The specific method of doing this is as follows: the grain importing regions (this can generally exclude old liberated areas, minority nationality regions, border regions, impoverished regions, and disaster areas) should mobilize their social forces and, under the centralized organization of the Agricultural Aid Coordination System, find ways to borrow money, institute joint management, transfer technology, rent equipment, and train capable personnel. They should also institute appropriate compensatory aid for exporting regions and help them to develop various rural industries based on township enterprises. The scale of suitable aid should be linked to the quantity of grain imported.

12510

CSO: 4006/479

GRAIN SITUATION ANALYZED

Beijing JINGJIXUE ZHOUBAO in Chinese 1 Mar 87 p 3

[Article by Zhou Binbin [0719 1755 1755]: "An Analysis of the Grain Situation"]

[Text] In 1986 grain output began to rise again, and it is projected that gross output will be more than 78 billion jin--up more than 20 billion jin over 1985. The major reasons for the rise in grain production are as follows: 1) Many places have reversed the momentary tendency to relax grain production. For example, Jilin targeted the problem of declining enthusiasm for grain cultivation and formulated an eight-point policy to encourage farmer enthusiasm for growing grain. In addition, it broke up the task of contracting grain procurement quotas among municipal, county, township, and village levels and put it into effect in the marketplace. 2) Sown grain area increased 29 million mu over 1985, thus raising grain output by about 13 billion jin. This is the main reason for the increase in grain output. It is worth noting that the increase in sown grain area has been accomplished at the cost of reducing the growing area and decreasing the output of some cash crops. 3) Market prices have universally increased, creating the stimulant for grain production recovery in 1986. 4) The central authorities and local areas have adopted certain remedial measures, such as decreasing the price of low-potency chemical fertilizer and guaranteeing, as far as possible, supplies of fuel and electricity for the countryside during times of rush planting and harvesting.

Through an analysis of the grain production situation in 1986 we can see the following: 1) For us to maintain present grain policies and expand grain production within the current economic structure, we must reach two additional benchmarks, and this will be very difficult to do. 2) The slow recovery of average yields per unit of area is a major reason why grain output does not rise. The "falling off" in overall grain output corresponds to the "falling off" of unit grain yields nationwide. In 1985 China produced an average per-mu grain output of 464 jin, down 17 jin from 1984. In 1986 the per-mu grain output increased 9 jin. The fundamental reason why unit yields have not climbed is that the comparative benefits of grain cultivation are low. Experience verifies that grain output can increase by a large margin only when prices are relatively reasonable. Prior to 1979 grain cultivation was a losing proposition. In 1978 farmers lost 1-2 yuan per mu on paddy, 8.4 yuan

per mu on wheat, and 5 yuan per mu on corn. Between 1979 and 1982 we essentially reversed the unreasonable over-depression of grain procurement prices and brought about a rapid rise in grain output. Later the situation saw further new changes when procurement prices did not move but grain production costs rose significantly. Comparing 1985 with 1982, costs rose an average of 10.09 yuan per mu and overall expenditures on grain production nationwide increased to 17.5 billion yuan. Under these circumstances, it is very hard to guarantee a major increase in grain yield.

As far as nationwide grain production is concerned, 1987 is a very important year. Whether we achieve and try to exceed the level of production we set in 1984 will depend upon our specific policies and efforts. In the current period the state is still adopting a two-track system on grain pricing policies: contract procurement quotas and market procurement coexist, so grain prices are "rigid in part" and "movable in part." By reducing contract procurement quotas and decreasing state monopoly marketing we can allow farmers to realize their hope of "increasing output and selling at a high price." Because the state's financial resources are limited, we can only adopt "fine tuning" methods in order to somewhat expand procurement, reduce procurement quotas, constrict state monopoly marketing, and adopt a few more preferential policies year by year. Thus, within a relatively short period of time we will achieve procurement and marketing equilibrium in price parities.

The conditions advantageous to increasing grain production in 1987 are as follows: 1) Farmers are enthusiastic about the recovery of grain prices in 1986; 2) Cultivated grain land can generally be stabilized at 1986 levels, and the decline in grain land that occurred in 1985 will not recur; 3) The state has adopted advantageous measures and has guaranteed to supply agricultural production materials and honor preferential policies.

Unit yields are the main focus of attack in future grain production. There are now approximately 400 million mu of low-yield land and 600 million mu of moderate-yield land nationwide. In the future we should use agricultural engineering measures to enhance efforts to breed improved varieties and disseminate science and technology. Thus we can turn more low-yield land into moderate-yield land and turn more moderate-yield land into high-yield land.

However, a comprehensive appraisal of 1987 grain policies and measures still can only play a partial role in solving the unreasonable price parities between agricultural products and arousing farmers' enthusiasm for grain cultivation. We must look at the crux of the problem of fundamentally deregulating grain. In the future we must completely deregulate procurement and marketing and take the road to grain commercialization.

12510

CSO: 4006/479

EMPHASIS PLACED ON INDUCEMENTS TO GROW MORE COTTON

Beijing JINGJI RIBAO in Chinese 14 Mar 87 p 2

[Article: "Increase in Area Sown to Cotton, But Sowing Plans Remain Unfulfilled"]

[Text] Thanks to the revival and readjustment by the state and all jurisdictions of the policy of providing bonuses for the growing of cotton during the last half of 1986, the nation's cotton growing area for 1987 will make a comeback after 2 consecutive years of enormous decline, the area sown increasing 5.7 percent over 1986. Nevertheless, this is still a long way from the area that plans call for. This is the conclusion reached following a sampling of the intentions of 84,000 peasant households in 740 counties in 28 provinces, autonomous regions, and municipalities directly administered by the central government done by the State Statistical Bureau Rural Sampling Group.

The main production areas of the five provinces of Hebei, Jiangsu, Shandong, Henan, and Hubei, which account for nearly 80 percent of the country's cottonfield area, showed a more than 10-percent decline in the cottonfield area for 1986 as compared with 1985. During 1987, a certain amount of increase will occur, the greatest amount being in Shandong, Hebei, and Jiangsu provinces where the increase will be 10.1, 9.4 and 8.3, percent, respectively. In Shaanxi and Shanxi provinces, where the cottonfield area declined by more than 20 percent during 1986, increases of 18.8 and 12.8 percent, respectively, will occur during 1987. Following a nearly 10-percent increase in the cottonfield area of Xinjiang Province during 1986, another 22.2-percent increase will take place during 1987. Nevertheless, the cottonfield area in some provinces and municipalities will continue to decline from the already reduced area of 1986. This includes decreases of 41.3 percent for Hunan Province, 40.9 percent for Liaoning, 23.2 percent for Shanghai, 22.2 percent for Beijing, 13 percent for Tianjin, and 12 percent for Anhui. Reportedly the main reasons for failure to fulfill 1987 plans for the growing of cotton have been as follows: Cotton growers fear many changes and no implementation of bonus policies; cotton takes a lot of investment, but earnings are scant; and parity prices between hemp and cotton are not equitable. In addition, in some areas grading has been lowered in an effort to hold down the procurement price, and this has hurt peasant enthusiasm for growing cotton.

Forecasts call for the growing of approximately 70 million mu of cotton nationwide during 1987, approximately 4 million mu more than during 1986. Thus, with cotton yields of between 60.7 and 64.3 kg per mu, it will be possible to fulfill only between 4.25 million and 4.5 million tons of the 1987 plan quota, and increasing the yields to those envisioned will certainly be difficult.

For these reasons, units concerned will have to take further effective action for conscientious implementation of various cotton bonus policies and for improving and perfecting fixed cotton-procurement contracts to eradicate cotton growers' apprehensions so that more cotton will be grown.

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CSO:4006/481

INCREASE IN 1987 GRAIN AREA FORECAST

Beijing JINGJI RIBAO in Chinese 21 Mar 87 p 2

[Article by Xin Xi [6580 5045]: "Grain Area To Increase in 1987; Cultivation of Otherwise Fallow Land and Newly Cultivated Land Are Two Powerful Reasons"]

[Text] According to a State Statistical Bureau survey in which the intentions of 840,000 peasants in 740 counties in 28 provinces, autonomous regions, and municipalities directly administered by the central government were sampled, in 1987 the country's actual grain area will increase over 1986. This results from the serious attention given grain production and the effective actions taken by units concerned in all jurisdictions to increase the grain area.

The sample survey shows 19 provinces, autonomous regions and municipalities directly administered by the central government as increasing their grain area in 1987 over 1986. Those in which the increase is 3 percent or more include Heilongjiang, Nei Monggol, Anhui, and Henan. Those in which the increase is 2 percent or more include Guangxi, Jilin, Guizhou, and Xinjiang. Forecasts call for a decrease from last year in the grain area in nine provinces, autonomous regions, and municipalities directly administered by the central government. These include Ningxia and Hunan with an approximately 4-percent decrease, and Shanghai, Gansu, Hebei, and Shandong with an approximately 1-percent decrease.

The autumn grain area will be 2.2 percent greater in 1987 than in 1986. This will include a continued increase in the growing of corn and soybeans over and above the respective 8.4- and 6.7-percent increases of 1986 over 1985. The mung bean area will also increase 7.5 percent. The area planted to sorghum will be less than in 1986.

All jurisdictions report the 1987 increase over 1986 in the grain area as attributable to the following: First is reform of the farming system, less land lying fallow, more land being cultivated, and an increase in the multiple-cropping index. In south China, some paddy rice areas have put winter wetlands to use in expanding the growing of dryland grain crops. In north China dryland grain areas, the area in which long stem crops and cash crops are intercropped has been expanded. The survey shows the multiple-cropping index as being 2.4 percent higher than in 1986 for the 840,000 peasant

households surveyed. Second is full use of formerly uncultivated land for the growing of farm crops. Newly cultivated land will be 12.8 percent more than in 1986.

Units concerned have noted that though the peasants currently intend to grow more grain, there should be no lowering of one's guard. Every jurisdiction should fully carry out the policy of "positively no slackening of grain production while actively developing economic diversification," and firm up further the grain area in order to lay a beneficial foundation for winning a bumper grain harvest in 1987.

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SPECIFICATIONS GIVEN FOR FAIRLY NEW WHEAT, BARLEY STRAINS

Xining QINGHAI RIBAO in Chinese 23 Feb 87 p 4

[Article by Shen Hezhong [3947 4421 0022], Provincial Seed Co: "Brief Report on New Farm Crop Varieties"]

[Text] [Editor's Note] During the past 2 years, Qinghai Province has seen new development of the breeding, testing and demonstrating of farm crop varieties. In 1987, the Fourth Provincial Farm Crop Varieties Evaluation Committee evaluated and approved nine new varieties of farm crops. We will make a serial report on this matter beginning with this issue. [End Editor's Note]

Spring Wheat Variety Lyuyeshu

Lyuyeshu strain is a new variety of wheat developed in 1973 by the Soil Fertility Institute of the Qinghai Provincial Academy of Agricultural and Forestry Sciences using sexual hybridization methods. This variety has bushy plants with a height of between 100 and 110 cm; short, broad, and erect leaves; fusiform spikes, long awns, white husks, spikes that are between 7 and 8 cm long, each spike containing between 33 and 38 grains, and ovular seeds that are red in color and semicutinic. Seed weight is 43 to 48 grams per 1,000; unit weight is 789 grams per liter; crude protein content is 13.29 percent; and gluten content is 25 to 29.3 percent. It is a spring variety with a growing season of from 125 to 130 days. It is drought- and cold-tolerant, resists lodging, and is moderately resistant to shattering. It is virtually immune to stripe rust, moderately susceptible to stem rust and leaf rust, and slightly susceptible to leaf-withering disease and white-stem disease.

This strain of wheat is suitable for growing in soils of moderate to high fertility. In irrigated areas, yields average 370 to 500 kg per mu; on dryland hills of medium height, it produces yields of 250 to 350 kg per mu. It is suited for promotion on medium high dryland hills, on high wetlands and in irrigated areas of the Tsaidam basin.

Spring Wheat Variety Radiated A'le No 1

Radiated A'le No 1 strain was developed in 1978 by the Crop Institute of the Qinghai Provincial Academy of Agricultural and Forestry Sciences through fast neutron irradiation of A'le variety dry seeds, which produced a disease-

resistant mutant. This variety has a purple plumule sheath, compact plants, a plant height of 115 cm, fusiform spikes, apical awns, white husks, and oval seeds that are red in color, semicutinized, and weigh 42 grams per 1,000. Their economic coefficient is 0.41; unit weight is 763 grams per liter; crude protein content is 12.55 percent; and gluten content is 28.8 percent. It is a weak winter variety with a 124-day growing period. It is moderately drought and qingganxing [7230 1626 1840] tolerant, and moderately resistant to lodging. It is virtually immune to stripe rust, moderately susceptible to leaf rust and stem rust, and slightly susceptible to root rot and leaf snow mold. Grown in moderately fertile soil, this variety produces yields of between 350 and 450 kg per mu, which is 10 percent more than the yield from A'le variety. In high wetlands, it produces yields of 432.9 kg per mu, or 32.8 percent more than Huzhuhong variety. It is suitable for growing in dryland hills, in wetlands of from moderate to low fertility, and in irrigated areas of the Tsaidam basin.

Highland Barley Variety Kunlun No 10

Kunlun No 10 strain is a highland barley variety developed in 1974 through sexual hybridization by the Crop Institute of the Qinghai Provincial Academy of Agricultural and Forestry Sciences. It was formerly designated 1039 Heisui. Plants are 105 cm tall; spikes protrude; spike necks are straight; spikes are hexagonal; spikelets grow dense; glumes are black; and the long awns are serrated and become light black in color during the late stages of growth. The grain is naked and yellow in color with a tinge of light blue. Grains are oval shaped, hard, and weigh 45 grams or more per 1,000. Each spike has between 38 and 40 grains; unit weight is 822 grams per liter; and crude protein content is 13.22 percent. This is a spring variety with a 104-day growing season. It is fairly resistant to lodging, moderately resistant to stripe rust and mosaic disease, and highly resistant to loose smut disease.

This variety produces yields averaging 350 to 400 kg per mu on wetlands. On qian [3239] hills, yields average 150 to 250 kg per mu. In banqian bannao [0584 3239 0584 5207] hills, yields average 200 to 250 kg per mu. This variety is suitable for growing in slightly alkaline, friable soil. In cold, high areas, it should be sown early at the rate of 12.5 to 15 kg per mu. Seeds should be soaked in lime water before sowing. Seeds may be sown in high wetlands, medium high mountain drylands and in reclamation areas on Hainan.

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PROBLEMS WITH TIMBER IMPORTS

Beijing ZHONGGUO LINYE [FORESTRY OF CHINA] in Chinese No 2, 17 Feb 87 pp 15-16

[Article by ZHONGGUO LINYE reporter Hou Zhizheng [0186 4249 2973]:
"Problems With Timber Imports"]

[Text] Given the need for our forest resources to recuperate and multiply, in order to meet the demand for timber for national economic construction and for people's daily needs, it is essential that we import a certain volume of timber. However, in recent years, in the wake of our opening to the outside world and the reform of our economic management system, the CPC Central Committee and local foreign trade departments have been competing to import timber. This has caused the volume of national timber imports to climb sharply, consuming a large quantity of foreign exchange and becoming a matter of some concern.

I. The Volume, Types, and Uses of Imported Timber

According to customs statistics, during the Sixth 5-Year Plan (1981-1985) we imported a total of 30.38 million stere of logs, or 1.6 times more than the 11.91 million stere we imported in the preceding 30 years. The 9.69 million stere of logs we imported in 1985 was 5 times as much as we imported in 1981. At the same time, from 1981 to 1985 imports of sawn lumber increased from 75,000 stere to 418,000 stere and plywood imports rose from 168,000 stere to 535,000 stere--a volume in excess of domestic plywood production.

Lumber is imported from more than 20 nations, primarily the United States, the Soviet Union, Canada, Chile, and Malaysia and other Southeast Asian countries. In 1984 we imported 4.51 million stere, or 57 percent, from the United States; 1.89 million stere, or 23.9 percent, from the Soviet Union; 940,000 stere, or 11.9 percent, from Canada; and 350,000 stere, or 4.4 percent from Malaysia. The principal types of imported logs are conifers: in 1984 7.52 million stere, or 95 percent, of our imported timber was coniferous timber.

Imported coniferous timber is used primarily for building doors and windows, refurbishing vehicles and ships, and in packaging. Broad-leaved timber is used primarily for plywood production and shipbuilding. Because plywood materials such as Chinese linden and northeast China ash are in

short supply in China, we manufacture low-quality, slow-selling plywood from pine. Imported Southeast Asian willow and eucalyptus wood, on the other hand, has a large diameter and produces a high output of boards. It has become the primary source of materials for plywood enterprises in coastal cities.

In 1985 imported timber accounted for 62.5 percent of all timber consumed in Shanghai and about 50 percent of all timber consumed in Jiangsu. Coastal fishermen for the most part use imported lumber in shipbuilding because the quality of the wood is good and it is hard and strong, yet pliable. In addition, the timbers are long and the utilization ratio is high. According to surveys, imported timber accounts for 85 percent of the lumber fishermen use in shipbuilding in coastal regions: 100,000 stere per year are needed in Zhejiang's Zhoushan Prefecture alone.

The uses of imported and domestically produced plywood are basically the same: approximately 80 percent is used for furniture and construction, and a small portion goes for television cabinets, packaging, and other uses.

In addition, imports of wood-based paper pulp, paper, and cardboard are also increasing year by year. During the Sixth 5-Year Plan the volume of pulp imported nationwide rose from 710,000 tons in 1981 to 779,000 tons in 1985, and imports of paper and cardboard increased from 767,000 tons to 863,000 tons.

During the Sixth 5-Year Plan we used a total of \$2,756,000,000 in foreign exchange, at an average of \$90.70 per stere, on imported logs. (The average price of lumber was \$127.00 per stere in 1981 and fell to \$83.40 per stere in 1985.) If we add in imports of sawn lumber, plywood, paper pulp, paper, and cardboard, measured in terms of the equivalent volume of logs, our total log imports measured 71.32 million stere and consumed \$6,575,000,000 in foreign exchange during the Sixth 5-Year Plan. In 1985 log imports plus imports of sawn lumber, plywood, paper pulp, paper, and cardboard consumed \$1,728,000,000 in foreign exchange. Foreign exchange for timber imports comes from three major sources: state foreign exchange, local foreign exchange, and foreign loans or investments. Because the pace of imports has increased, right now China is the second largest timber-importing nation in the world (second only to Japan in import volume).

II. Problems of Coordinating Timber Imports With Domestic Forestry Production

From the perspective of overall state development strategy, we must not only import timber to satisfy the demands of state construction and people's daily needs, we must also be able to promote future forestry development in China, ensure that there is a period of rest and recuperation for the forestry industry, and progressively extricate ourselves from the passive situation of concentrated over-cutting and constantly increasing forest "deficits." This should be coordinated with the quantity of timber imported and the scale of domestic cutting, and we should make

the appropriate choices of wood types to import. Consequently, we must formulate a proper policy and program for timber importing and make the necessary reforms in the system of import management. There are some problems in this area now that are worth discussing:

1. There is a problem with the import management system. Right now foreign trade departments are primarily responsible for negotiations on state timber imports, and goods and materials departments handle distribution after the timber is brought ashore. Forestry departments, on the other hand, which are responsible for timber production, do not participate in arranging timber imports and exports. Consequently, they are unable to integrate increases in timber imports with adjustments in domestic timber production, resulting in a substantial waste of foreign exchange funds and forest resources. During the Sixth 5-Year Plan, at the same time that imports were increasing, domestic timber cutting was also increasing, with the result that timber stocks skyrocketed and there was a large volume of overstocked timber. In 1980 the volume of timber stocks in China measured 15.04 million stere, and by 1985 this had jumped 47 percent, to 22.14 million stere. The overstock meant that a portion of the timber would decline in grade and deteriorate, and it also exacerbated the shortage of harbor and freight facilities.

2. There is a problem with overall planning concerned with domestic forestry investment and foreign exchange funds for timber importing. The ultimate goal of increasing timber imports is to protect and promote domestic forestry development in order to create conditions conducive to reducing imports in the future. During the Sixth 5-Year Plan we used a large quantity of foreign exchange on timber imports, while inputs into funds for domestic forest operations declined. Because of the lack of essential funds, the forestry sector's plan to promote the planting of rapid-growing, high-yield forests was also difficult to carry out comprehensively. Thus, people have raised this kind of question: About half of the price of imported timber is the value of the wood, so importing timber is equivalent to providing money for other countries to undertake reforestation. Why can't we take some of the foreign exchange funds used for timber imports and switch to planting rapid-growing, high-yield forests in China? Then we can increase domestic cutting of commodity timber to replace that portion of imported timber and wait until after the rapid-growing, high-yield forests have matured to decrease the volume of cutting. As for reducing the volume of imports, if we reduce them by 1,186,000 to 1,500,000 stere per year--the equivalent of 12.2 to 15.5 percent of the 1985 import volume, or only about 2 percent of the volume of timber currently being cut in China--this plan would not affect the normal sequence of current timber importing and domestic timber production. Figured at \$100, or 380 yuan, per stere of imported timber, if we transfer the foreign exchange funds deducted from timber imports into planting rapid-growing, high-yield forests, we can plant 3 million mu of such forests per year. The cutting cycle is 15 years, after which time these high-yield forests may produce a timber output of 24 to 30 million stere annually, or about 20 to 25 times as much as the volume of timber originally cut to replace imports.

This method seems to have many advantages and few disadvantages. Specifically speaking, the advantages are as follows: 1) We can accelerate the rate at which we are planting rapid-growing, high-yield forests; 2) We can improve the vitality of forestry enterprises and increase farmers' incomes; and 3) After the high-yield forests become part of the cutting cycle it will be possible for the state to reduce the volume of cutting in existing forest regions. Consequently, so long as we use suitable measures we will be able to "kill three birds with one stone." The key to it all is how to open up this funding channel.

3. How can timber imports promote exports of domestic timber and forest products? Some types Chinese timber, such as Chinese linden, northeast China ash, and paulownia sell well in Japan and Southeast Asia. We should use this kind of resource advantage and the conditions conducive to a large volume of timber imports to expand sales of Chinese timber and forest products on the international market. This will make up for a greater scarcity of domestic timber types and arouse enthusiasm for developing forestry and the production of forest by-products.

The above problem demonstrates that forestry departments should participate in the planning and management of timber importing and exporting. Only in this way can we ensure that timber importing and exporting are well integrated with domestic forestry development and avoid unnecessary losses of foreign exchange funds and forest resources.

III. A Strategy for Timber Importing and Exporting

Not only is timber importing and exporting indispensable during the current shortage in Chinese timber supplies, but in the future, when we are able to be self-sufficient in timber supplies, it will also be essential to work with other nations to adjust surpluses and shortages of certain types of timber and carry on the timber trade. Consequently, we should formulate a suitable set of measures for handling timber imports and exports under Chinese conditions, and we should make this an important component of China's forestry development strategy.

In recent years, because the international timber market was depressed and the price of timber dropped, some people considered using long-term volume timber imports to meet China's demands for timber. It should be pointed out that this way of thinking has no objective basis. Because the world's forest resources are in a process of rapid depletion, many nations have adopted measures strictly limiting log exports, and thus there is no long-term guarantee on sources of logs. Simultaneously, the state's capacity for foreign exchange payments is somewhat limited. According to UNFAO statistics, in the past 10 to 20 years the volume of industrial and commercial timber exports in the world measured about 100 million to 120 million sterc, accounting for 7 to 8 percent of total industrial and commercial timber production.

In 1984 the world produced 3.05 billion sterc of logs, of which 1.45 billion sterc, or 47.5 percent, were for industrial use. Of these logs used in industry, 102.83 million sterc, or 7.06 percent, were exported.

It is estimated that for the foreseeable future there will be no significant increase in these figures, but exports of man-made boards and finished lumber products may increase. The primary exporters of coniferous timber, in order, are the United States, the Soviet Union, Canada, France, West Germany, Sweden, Poland, New Zealand, and Chile. The primary exporters of broadleaved timber, in order, are Malaysia, Australia, Indonesia, the Ivory Coast, the Philippines, Papua New Guinea, and Gabon. The above 16 nations account for 84.7 percent of the world's log exports.

The United States and the Soviet Union account for 65 percent of the exported coniferous timber and Canada accounts for 10 percent. However, Canada restricts log exports and the United States' and the Soviet Union's exports are commonly controlled by price fluctuations.

Exporters of broadleaved timber are primarily nations with bountiful tropical rain forests, but the world's tropical rain forest resources are declining by 11 million hectares per year. In Southeast Asia, Oceania, and Africa, some traditional exporters of broadleaved timber for plywood are gradually switching to exports of semi-finished and finished products and have restricted or forbidden log exports. For example, Indonesia exported 18.74 million stere of logs in 1973, but log exports dropped to 2.24 million stere by 1984. During the same period, log exports from the Philippines declined from 7.79 million stere to 1.49 million stere. This trend is still developing. Currently Malaysia is the largest exporter of broadleaved timber for plywood. Malaysia exports 17.24 million stere of logs per year, including 16.66 million stere of broadleaved timber. This accounts for 55.6 percent of the world's export volume of broadleaved logs for plywood and sawn lumber. However, Malaysian forest resources are rapidly being depleted, and it is estimated that by the end of this century the amount of timber Malaysia will supply to the international market will decline to the level of 2 to 5 million stere per year. From this it is obvious that over time there will be a greater and greater shortage of large diameter, high quality lumber for plywood on the international market.

Through the foregoing analysis, whether viewed from the perspective of timber production conditions in China or the state of the international timber market, timber supplies will be rather tight for a relatively long time to come. Under these circumstances, we should adopt the following measures in timber importing:

- 1) First we should act based on domestic circumstances: on the one hand we should safeguard and make good use of existing forest resources, improve the level of forest management, and increase the volume grown per unit of area. At the same time we should increase our investment in forest management, make vigorous efforts at reforestation, and particularly strive to plant rapid-growing, high-yield forests. In addition, from this starting point, and in accordance with changes in the international market, we should begin to research and determine the scale of timber importing and the varieties to be imported. When conditions on the international market are favorable we should import more, and when they

are unfavorable we should import less. We should ensure that our import program is flexible to a certain degree. Correspondingly, our state timber-production program should be flexible: when timber imports shoot up we should make suitable reductions in the volume of timber we cut, and when imports drop we should suitably increase timber cutting. Import volume and domestic production are inseparably and flexibly intertwined. However, we must do one thing: we must change the current management system and implement an appropriate management system for timber importing and state production.

2) In order to ensure that we have a relatively stable source of supplies for timber imports, we must actively study and settle funding and other issues central to the establishment of forest development bases abroad. Some nations with ample forest resources are ready to cooperate with us to open up their forests and enter into joint-venture arrangements for timber processing enterprises. Right now the timber industry is depressed, and this is the opportune time to invest abroad to build forest development bases. We should seize this opportunity to raise the necessary funds and clear marketing channels for timber sales to China. This method has been successfully pursued by Japan and other nations, and we should also be able to pursue it successfully.

3) Right now there is a fixed export volume for some varieties of Chinese timber and wood products, as well as for rosin, turpentine, and other forest byproducts. However, most of them are primary products, which create foreign exchange at a low ratio. We should make use of China's resource advantages in this area and study how to remodel or import the necessary techniques and equipment to conduct intensive processing on primary products. This will make them more competitive on the international market and improve their ability to create foreign exchange so that we can supply even more money to increase timber imports. We must put into effect a policy of using imports to spur on exports and using exports to guarantee imports.

12510/9604

CSO: 4006/441

SOME ADVANCES IN FARM MECHANIZATION IN GANSU

Beijing ZHONGGUO NONGJIHUA BAO in Chinese 24 Jan 87 p 3

[Article by Wei Lieguang [7614 0441 1639]: "Gansu Province Makes New Strides in Farm Mechanization"]

[Text] With reform of the rural economic system and readjustment of the structure of industry in 1986, the number of peasant households involved with farm machines increased bringing about new mechanization of agriculture in Gansu Province.

As of the end of the year, it was estimated that farm machine assets for the province as a whole had a gross value of 1.3 billion yuan versus 1.229 billion yuan in 1985 for a 5.78-percent increase. There were 135,000 tractors versus 124,200 in 1985, up 8.7 percent, and the number of farm motor vehicles, as well as the number of machines used for the processing of agricultural and sideline products, for forestry, animal husbandry and other purposes also increased substantially.

As of the end of June 1986, peasants throughout the province had individually purchased 123,243 tractors, which was 91.29 percent of the total number owned in 1986, a 101.5-fold increase over 1980. Of this total, 108,057 were small tractors operated by peasant households. This was 87.68 percent of the total number of tractors operated by peasant households, a 93.3-fold increase over 1980. Furthermore, growth was rapid and the number owned was large in places where transportation is readily available, the economy fairly well developed, and important industrial and mining areas located such as Lanzhou, Jiuquan, Baijin, and Wuwei (each with more than 10,000), and in Zhangye, Qingyang and Jinchang (each with more than 7,000). There are 41,300 peasant households in Jinchang City in Niedu where there are 7,272 small tractors alone, an average of 1 per 5.7 households.

Many operations are performed by farm machines and the amount of field work done by farm machines is steadily rising. In particular, deep plowing, which is regarded as increasing the soil's reserve strength, has picked up substantially. The machine-plowed area is 9.3 million mu versus 8,370,100 mu (558,000 hectares) in 1985, an 11.1-percent increase. The machine-sown area is 4.5 million mu versus 4,304,300 mu (287,000 hectares) in 1985, a 4.55-percent increase. Most prefectures have mechanized or semimechanized (insofar as

machinery permits) the processing of grain and oil, field hauling, and husking. Analysis of the status of farmland machine operations throughout the province showed development to be very uneven. Places such as Jiuquan, Zhangye, Wuwei, and Jinchang in the Hexi Corridor and such as Qingyang and Pingliang on the Longdong Plateau are suitable for machine plowing because of their favorable geography plus their relatively superior economic situation. Here the percentage of mechanization is fairly high. Machine-plowed land totals 6,817,300 mu or 73.3 percent of the province's total machine-plowed area of 9.3 million mu. These six prefectures and cities have a cultivated land area of 21,922,600 mu, or only 41.86 percent of the total cultivated land area in the whole province. In the central part of the province and in the Longnan mountain region, the amount of machine plowing is relatively small. Dingxi Prefecture has 7,786,500 mu of cultivated land, or 14.87 percent of the cultivated land in the whole province, only 233,300 mu, or 3 percent, of which is machine plowed. This is 2.47 percent of the total machine-plowed area in the whole province.

The rapid increase in farm machines has brought new life to farm machine servicing work at the grassroots level. Today 568 township farm machine management service stations accounting for 35 percent of the townships have come to life at the grassroots level, providing rural peasant households with farm machine repairs, spare parts, and fuel. Township farm machinery enterprises are burgeoning, pulling themselves up by their bootstraps, supporting agriculture, and exploring new ways to serve.

Forecasts call for total earnings of 450 million yuan from farm machinery business for the whole province for the whole year, versus 430 million yuan in 1985, up 5 percent. In addition, 65 counties tested 1,581 farm machine repair personnel scattered in villages, 1,288 of whom were awarded technical grade certificates. This plays a very great role in the promotion of individual and collective farm machinery maintenance work theory and repair skills.

9432

CSO:4006/481

FISH PRODUCTION INCREASING IN YUNNAN

Kunming YUNNAN RIBAO in Chinese 23 Feb 87 p 1

[Article by Xing Shuquan [6717 2885 0356] and Gao Changzheng [7559 7022 1767]: "Output From Province's Artificial Fish Breeding Surpasses Natural Catches For First Time; 32 Commodity Fish Production Bases Established Throughout the Province"]

[Text] Statistics from provincial aquatic products units show output from the province's artificial fish breeding to have reached more than 15,600 tons in 1986 surpassing the more than 15,500-ton-per-year natural catch for the first time.

A comrade in charge at the Yunnan Provincial Department of Agriculture, Animal Husbandry, and Fishery told the reporters that output of the province's aquatic products has steadily increased between 16 and 20 percent per year since 1982. At the same time, the quality of different varieties of aquatic products from different bodies of water has also improved very greatly. The main reason for the sustained, coordinated production of the fishing industry has been the large amount of work done by aquatic products units at all levels as well as by all prefectures, autonomous zhous, municipalities, and counties in the development of fish breeding artificially in a gradual change from the former antiquated method of reliance on natural increase for the development of fishing industry production. In recent years, aquatic products units at all levels have helped peasants everywhere in the large-scale promotion of high-yield advanced techniques in the rearing of fish in mesh cages, in warm running water, in paddy fields, and in dammed ponds, which has effectively increased yields per unit of area from the artificial rearing of fish. The province now has 32 commodity fish production bases. In 1986, more than 40,000 specialized peasant households and key fish-rearing households in various areas, plus another more than 80,000 peasants, were rearing fish in paddy fields. The area of the province devoted to the artificial rearing of fish totals 920,000 mu and produces, in combination with naturally reproduced fish, a gross output of 31,000 tons per year for a gross annual cash income (at prevailing prices) of more than 90 million yuan.

9432

CSO:4006/482

FOCUS ON INCREASING CORN OUTPUT IN ZHEJIANG

Hangzhou ZHEJIANG RIBAO in Chinese 17 Apr 87 p 2

[Article by Du Ancai [2629 1344 2088] and Li Wenhua [0632 2429 5478]: "In the Opinion of Corn Expert Yin Weihai, Corn Is One of Zhejiang's Primary Dry-Field Grain Crops, and It Is Very Nutritious and Has Many Uses. However, in the Past Few Years Corn Production Has Declined Drastically in Zhejiang. He Calls for a Focus on Developing Corn Production"]

[Text] Corn is one of Zhejiang's primary dry-field crops. Historically, in terms of growing area and output, corn has accounted for over one-third of our summer and autumn dry grain. However, in recent years corn production has fallen precipitously in Zhejiang. A few days ago we visited Yin Weihai [3009 3634 3352], director and assistant research fellow of the Dongyang Corn Research Institute. He looked through a pile of data and said that the average corn growing area in Zhejiang was 2,232,300 mu in the 1950's and 1,613,600 mu in the 1960's and 1970's. In 1977 and 1978 the corn growing area was over 1.81 million mu. However, by 1981 to 1984 the average annual corn growing area was only 827,500 mu. In Dongyang County, which is called "corn country," large, continuous expanses under corn cultivation can no longer be seen. In 1978, when Dongyang County recorded its highest historic corn yield, the corn growing area reached 339,600 mu and produced a gross harvest of 61.45 million kg. But by 1986, the entire corn growing area in Dongyang County measured only 47,202 mu and the gross output totalled 12,615,000 kg. This came to less than 20 percent of the record high. This county, which once could export a large quantity of corn, must now import corn from Guangxi and Jilin. This has had a definite impact on national industrial construction and the development of the livestock industry.

Yin Weihai believes that the major cause for the appearance of this situation is that in the past few years some cadres and other people have to some extent ignored the importance of corn production. There has been a widespread feeling that corn produces low yields and brings in little income, and that it is not worthwhile to plant more of it. Actually, this is absolutely not true. Yintang Village in Mingde Township, Dongyang County, grows 103 mu of "Dongding No 1" hybrid corn and reaps a per-mu yield of 560 kg. Hulu Township's Agricultural Science Station, in the same county, has produced a record output of 647.5 kg per mu. In 1986, all in all some 2,053 mu of imported high-lysine corn was cultivated in 10 or so counties in Zhejiang, producing an average

per-mu output of 346.5 kg and a high per-mu yield of 523 kg. The economic benefits of this corn far surpass those of any other summer or autumn dry grain. Corn is very nutritious and contains starch, protein, fat, sugar, mineral elements, and various other components. Its protein and fat contents are higher than those of rice. Yellow corn also contains an abundance of carotene and is more valuable as fodder than barley or sorghum. This is particularly true for high-lysine corn. Farmers in Zhejiang have consistently been in the habit of using corn and barley to feed poultry and livestock. A rough estimate indicates that current fodder consumption in Zhejiang is about 5.4 billion jin, whereas the total annual output of corn, sweet potatoes, and other dry-field crops is approximately 1.8 billion jin, and barley production measures about 1 billion jin per year. In the future barley will be increasingly used as a raw material for beer production, and under these circumstances Zhejiang's feed deficit can only be remedied by relying on corn production. Corn also has fairly broad range of uses in food products, medical treatment, and the machine industry.

Yin Weiham calls upon leaders at all levels to recognize fully the importance of corn in agricultural production in Zhejiang, and to attach a high importance to developing corn production. We must educate cadres and other people to see the role of corn from a macroscopic perspective, scientifically design the growing area for all crops, extract the full potential from the land, and strive to grow more corn. We must set up breeding bases to produce hybrid corn seed and energetically popularize improved varieties of high-yield corn and advanced cultivation techniques to ensure high corn production.

12510

CSO: 4006/634

RESULTS FROM TESTS ON NEW ANIMAL TRANQUILIZER PUBLISHED

Beijing ZHONGGUO SHOUYI ZAZHI [CHINESE JOURNAL OF VETERINARY MEDICINE] in Chinese No 3, 22 Mar 87 pp 27-28

[Article by Wang Qiang [3769 1730] and Li Yaoshu [3621 1031 6615], Chengdu Municipal Zoo: "Tranquilization of Wild Herbivorous Animals With Xinbaoling"]

[Abstract] A newly developed injectionable drug used to restrain wild animals was tested between October and 1984 and June 1986 in Sichuan Province. Results of these tests are presented in this article written by staff members of the Chengdu Municipal Zoo, who conducted the tests with support from a veterinary medicine unit of the Sichuan Academy of Agricultural Sciences. The drug is useful when animals must be transported, crated, operated on, or studied for scientific purposes.

The tests were carried on using two different formulations of the new drug, Xinbaoling, on a total of 38 head of 10 different species of wild herbivorous animals of various weights.

The article presents data on the time required for each formulation to take effect, on the monitoring of physiological functions during the tranquilization period, and on animal recovery. It compares the drug favorably with Mg99, a powerful pain suppressant, and tranquilizers derived from it that were first used in the 1960's outside of China.

9432

CS0:4011/37

RESEARCH ON THE PATTERN OF OCCURRENCE AND THE PREVENTION AND CONTROL OF SMUT
ON JOB'S-TEARS

Beijing ZHIWU BAOHU [PLANT PROTECTION] in Chinese No 1, 8 Feb 87 pp 10-12,
13-15

[Article by Liu Tiruo [0491 1912 5387] and Zheng Lianzhi [6774 5571 2655],
Heilongjiang No 81 College of Agriculture and Land Reclamation]

[Abstract] Job's-tears (*Coix lacrymajobi*) is an important Chinese traditional medicine and cereal food cultivated throughout China for both the domestic and export market. Smut is the major threat to production, occurring with an incidence of 50 to 100 percent. It is a systemic infectious plant disease that originates in fungus-bearing seed or soil and results in decreased output and poor quality seed kernels. Symptoms, pathogeny, incidence pattern, and means of chemical prevention and control are examined here. Results indicate that infection will be heavy when there is a high volume of spore masses, a low soil temperature at sowing time, or an over-thick seed cover. The moisture content of the soil was found to have little effect on the degree of incidence. Prevention results of 85.4 to 100 percent can be obtained by using a seed dressing of 25 percent bailitong [4102 3810 6639] wettable powder, 25 percent baitan [4102 0982] powder, and 50 percent carbendazim wettable powder. This has no ill effects on seed germination or seedling growth.

12510

CSO: 4011/28

A FORECAST OF THE PERIOD OF INCIDENCE OF STRIPED RICE BORERS ON PADDY IN
ZHIJIANG COUNTY, HUBEI

Beijing ZHIWU BAOHU [PLANT PROTECTION] in Chinese No 1, 8 Feb 87 pp 13-15

[Article by Liang Lunchun [2733 0243 2504], Zhijiang County Plant Protection
Station, Hubei]

[Abstract] In the double-crop and single-crop paddy mixed cropping region, the 1st generation of the bivoltine striped rice borer (*Chilo suppressalis*) is more and more of a threat to early and mid-season rice. Prior to the adult emergence of the winter generation of the striped rice borer, 12 years of pertinent data on meteorological conditions and incidence history was used to aid in predicting the peak period of egg hatching. The "charted columnar linkage method of junction statistical forecasting" was used to establish a prediction equation, and the results predicted coincide 100 percent with experimental results.

12510

CSO: 4011/28

SWINE PSEUDORABIES STUDIED

Nanjing XUMU YU SHOUYI [ANIMAL HUSBANDRY AND VETERINARY MEDICINE] in Chinese
No 1, 20 Feb 87 pp 29-33

[Article by She Yongjian [0152 3057 1696], Sichuan Institute of Animal
Husbandry and Veterinary Medicine]

[Abstract] Pseudorabies is an epidemic disease caused by the Pseudorabies virus (PrV). It is characterized by nervous system symptomatology, and it strikes approximately 35 kinds of domestic and wild animals. Because the pool of infection is so broad, it persists in the environment and is very difficult to control. Most domestic animals contract a lethal infection, but in swine the infection differs with age: the younger the age, the higher the lethality. At over 3 months there are no obvious symptoms, and adult swine or sows manifest primarily silent infections. Thus, swine are the major carrier hosts and the primary source of infection. This article examines in detail the distribution, pathogenesis, epidemiology, pathological incidence, clinical symptoms, pathological anatomy, diagnosis, and prevention of swine pseudorabies.

12510

CSO: 4011/29

USE AND VALUE OF PHOTOPERIOD-SENSITIVE MALE STERILE GENE IN RICE BREEDING

Beijing ZHONGGUO NONGYE KEXUE [SCIENTIA AGRICULTURA SINICA] in Chinese No 1,
20 Feb 87 pp 6-12

[English abstract of article by Jin Deming [7246 1795 2494], et al., of the
Department of Agronomy, Central China Agricultural University, Wuhan, Hubei
Province]

[Text] A Hubei rice plant, having photoperiod-sensitive male sterile genes
in homozygosities (HPSGMS), would be completely male sterile under long-day
conditions but fully fertile under short-day conditions. A new procedure for
hybrid seed production based on this new male sterile gene has been developed
which gives up the maintainer line and obtains the restorer. A new breeding
system (Joint Selection System) is proposed in which population improvement
by a recurrent selection program can be practiced with proper use of this
male sterile gene for outcrossing and selfing under different day lengths as
the schedule demands.

9717

CSO: 4011/30

STUDIES OF HUBEI PHOTOSENSITIVE GENIC MALE-STERILE RICE (ORYZA SATIVA L. SUBSP. JAPONICA). I. PRELIMINARY TESTS FOR EXPRESSION OF PHOTOSENSITIVE RECESSIVE MALE-STERILE GENES]

Beijing ZHONGGUO NONGYE KEXUE [SCIENTIA AGRICULTURA SINICA] in Chinese No 1, 20 Feb 87 pp 13-19]

[English abstract of article by Xue Guangxing [5641 0342 5887], et al., of the Institute of Crop Breeding and Cultivation, Chinese Academy of Agricultural Sciences, Beijing]

[Text] Changes in the ratio of pollen failure and in the seedset ratio within the spikes bagged were examined when the Hubei photosensitive genic male-sterile rice was cultured under 10-hour (short day) and 16-hour (long day) photoperiods artificially controlled from the onset of panicle emergence to the florescence, and under 16-hour photoperiods temporally or continually on one or more stages of the inflorescence differentiation. The data obtained suggest that the photosensitive recessive male-sterile key genes exist, but are not expressed under short day treatment. However, they are expressed on any stage of the panicle differentiation under long day photoperiods. The treatment requires only one to three long days, but for complete loss of pollen fertility it is necessary to keep the plants under the long day length conditions from the stage of "differentiation of secondary branch primordia."

9717

CSO: 4011/30

RECENT ADVANCES IN AUTOTETRAPLOID RICE BREEDING

Beijing ZHONGGUO NONGYE KEXUE [SCIENTIA AGRICULTURA SINICA] in Chinese No 1,
20 Feb 87 pp 20-24

[English abstract of article by Chen Zhiyong [7115 1807 0516], et al., of the
Institute of Crop Breeding and Cultivation, Chinese Academy of Sciences,
Beijing]

[Text] During the past 10 years, some significant advances in autotetraploid
rice breeding work have been achieved in the authors' laboratory and are
reported briefly as follows:

1. By means of tissue culture, some high yield clones have been established
from the elite tetraploid rice plants of hybrid origin. Their yield per-
formances reveal that autotetraploid rice breeding is full of potential as a
new breeding technology.
2. The critical problem encountered in the breeding work of autotetraploid
rice is low and unstable fertility. A significant positive correlation was
found between the fertility of parents and that of offspring, indicating that
the great variation in fertility is mainly due to genetic recombination
rather than environmental fluctuation. It has therefore been proved that
fertility can be efficiently improved by hybridization and selection.
3. In the last 10 years, the average yield of the promising tetraploid rice
strains selected from hybrid progeny has increased by 2475 kg/ha, and the
average plant height has decreased by 40 cm.

9717

CSO: 4011/30

VARIABILITY OF VIRULENCE OF XANTHOMONAS CAMPESTRIS PV. ORYZAE AND ITS
INFLUENCE ON TESTING OF RESISTANCE IN RICE

Beijing ZHONGGUO NONGYE KEXUE [SCIENTIA AGRICULTURA SINICA] in Chinese No 1,
20 Feb 87 pp 66-70

[English abstract of article by Xu Zhigang [6079 1807 4854], et al., of the
Faculty of Plant Pathology, Nanjing Agricultural University, Nanjing, Jiangsu
Province; Li Zhizheng [2621 1807 4854], et al., of the Agricultural Research
Institute of Lixiahe, Yangzhou, Jiangsu Province]

[Text] During the past three years, the virulence of 253 isolates of
Xanthomonas campestris pv. Oryzae has been tested. Five strain groups were
classified based on their virulence differentiation on a set of differential
cultivars. The compatibility between the isolates and cultivars showed weak
correlativity in most combinations, with only a few showing strong correlativi-
ty. DV85 showed a high level of resistance to all strain groups, with IR26
and Sizhu being resistant to most isolates tested. Jingang 30 was very
susceptible to all isolates and did not seem to have any resistant gene to
this pathogen.

Approximately 10 isolates chosen from the 5 groups were inoculated to
evaluate the resistance of breeding materials each year. Therefore, the
resistance level of the selected materials can be estimated before they are
used for extension or production.

9717

CSO: 4011/30

GAS-CHROMATOGRAPHIC METHOD FOR MULTI-RESIDUE DETERMINATION OF NINE ORGANO-
PHOSPHORUS INSECTICIDES

Beijing ZHONGGUO NONGYE KEXUE [SCIENTIA AGRICULTURA SINICA] in Chinese No 1,
20 Feb 87 pp 75-80

[English abstract of article by Zhang Qiao [1728 0829], et al., of the
Analytical Center, Chinese Academy of Agricultural Sciences, Beijing; He Youjie
[0735 2589 2638] of the Plant Protection Department, Hebei Agriculture
University, Baoding, Hebei Province]

[Text] This report describes a method for determination of multi-residues of
nine organic phosphorus insecticides, including dichlorvos, mevinphos, phorate,
diazinon, dimethoate, fenchlorphos, methyl-parathion, malathion and parathion.
The compounds were extracted from water, soil and plant materials using a
mixture of acetone and water (2:1), then passed through Florisil-aluminum oxide
micro column for clean up, and measured by a gas chromatograph using a FPD
detector.

The method was used on apples, wheat flour, cabbage, tea leaves, tobacco, soil
and water, spiked with the different compounds, with satisfactory results.
Recoveries ranged from 80 to 100 percent.

9717

CSO: 4011/30

BRIEFS

SICHUAN CORN OUTPUT--Corn is one of Sichuan's major grain crops, and it is primarily produced in mountain regions. In recent years, some high mountain regions and hilly regions have planted experimental demonstration plots using corn mulching techniques, and they have generally produced higher yields, particularly in the mountain regions. In 1986 there were 33,800 mu of mulched corn demonstration plots, averaging a per-mu yield of 360.1 kg. This is a net increase of 117 to 275 kg per mu, or an average increase of 207 kg per mu, over what would be obtained in otherwise identical conditions. Income increased 82.8 yuan per mu. Deducting 18 to 20 yuan for the cost of mulch, net income rose by 62.8 to 64.8 yuan per mu. [Excerpt] [Chengdu SICHUAN RIBAO in Chinese 8 Apr 87 p 2] 12510

CSO: 4006/634

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